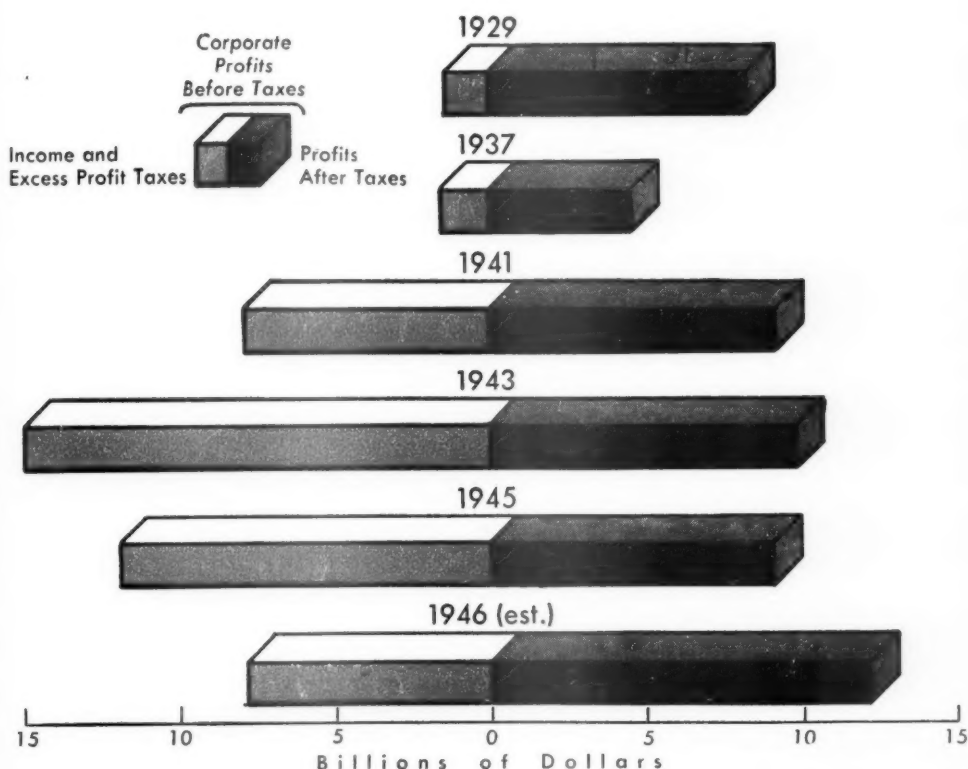


BUSINESS WEEK

NOV. 30, 1946

FOR 1946: TAXES DOWN, PROFITS UP



Report to Executives: "Corporate Profits—Postwar Pattern" (page 37)

BUSINESS
WEEK
INDEX

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Brown Bros. photo of immigrants at Ellis Island early in the century.

They Believed in Miracles

Whether they landed at Plymouth Rock in one generation or at Ellis Island in another, they came *believing in miracles*. The Miracle of Freedom—in speech, thought, action. The Miracle of Opportunity—to work, save, build for the future.

Believing in miracles, they recognized no obstacles. The result: *America, with only 6% of the world's population, produces 25% of the world's goods, possesses 50% of the world's wealth.*

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lower cost but at higher wages than had ever been done before in world history.

Yes, generation after generation they prospered, took root, grew with the nation—in crafts, in the professions, in government, in

agriculture, in businesses large and small. As thrifty investors, they backed their confidence in the nation with their savings.

All had a share in the greatness of America. Believing in miracles, they made them come to pass.

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WASHINGTON BULLETIN

GETTING SET FOR LABOR

The tight little group of conservative Republican chieftains in the Senate thinks it has clinched control of the next Congress' legislative program by pressuring Taft into taking the Senate Labor Committee chairmanship. This has been the big hole in the group's organization.

Top senators like White, Bridges, Vandenberg, Tobey, and Taft himself have been disturbed by the more or less pro-labor attitude of the Republicans actually in line for the Labor chairmanships in both House and Senate.

Unwelcome Candidates

In the house, Rep. Welch of California, who has long been friendly toward organized labor and received union support in his last campaign, is the ranking Republican on the Labor Committee.

The prospect in the Senate has looked even more disturbing. Taft is the senior Republican, but has wanted the Finance Committee, which is more in line with his interests. And with tax cuts coming up, it's a plum for a would-be presidential candidate. Next in line for labor, however, is Sen. Aiken, who's not wanted by Republican leaders because of his New Dealish voting record.

Initially, the Republican hierarchy had tried to pressure Aiken into stepping aside in favor of Ball. But Aiken stood on his rights.

So it looks as though Taft will have to make the sacrifice, though he doesn't want to. This would leave Aiken with no major committee—a warning to the handful of Republicans who might be tempted to flirt with labor.

Trouble in the House

The conservative leaders are having less success in their efforts to bypass Welch in the House. California business interests have been encouraged to impress on Welch the importance to the state of the Merchant Marine Committee, which Welch can have if he gives up Labor.

Even though the House Labor Committee stays off the reservation, firm control of the Senate committee will guarantee clear sailing for the Taft-Ball program of legislation going about as far as last year's Case bill (BW-Nov. 16/46,p5).

BEYOND THE CASE BILL?

Settling that much will cut the issue down to this: Will the Republicans be driven by the strike situation and/or

by their more conservative business backers into more stringent moves against the unions?

Unless the coal strike is broken by a special session, it's practically certain that the new Congress will convene in a strike atmosphere. The coal strike may still be dragging on. If Lewis has already won, other union leaders will be crowding close behind for equal gains.

THE ORPHANED FARMERS

Temporarily at least, the farmers are politically homeless.

The Administration has rejected them as political ingrates and is swinging toward a program which shifts the emphasis from high income for the farmer to cheap and plentiful food for the consumer. This is what underlies the uproar in the Farm Belt over the pending reorganization of the Dept. of Agriculture.

The embryonic Republican farm program, at the same time, shows signs of taking a direction distasteful to the farm organizations. These organizations take their stand on the prewar program of

Big Inches—Little Weapon

The program for emergency use of the Big Inch pipelines for transmission of gas during the coal strike (page 15) is simply a psychological move to impress John L. Lewis' miners, if not John L. himself. Initial drift shipments will be small.

Even if compressors are installed in the oil lines, to step up deliveries, the gas still won't replace much coal. Most of it will be furnished to distribution systems in the Pennsylvania-Ohio area. This area was short of gas all through the war. The demand for gas, of course, will slacken if steel mills are shut down by the coal strike.

• The first use of the lines for gas, even as a government operation by the Interior Dept., will have an effect on the ultimate decision whether private use of the lines shall be for gas or oil.

The Interior Dept. already favored their use for gas when the coal strike furnished unexpected ammunition for the successful effort of Rep. Slaughter's surplus property committee to block sale of the lines for oil.

dealing with crop surpluses and falling prices by restrictions on production, coupled with government price supports through purchases and crop loans. They'll campaign for increases in the price support level, but they're solid on the basic principle of crop limitation.

Restrictions Out the Window?

Congressional Republicans have no firm program yet, but spokesmen like Rep. Clifford R. Hope, probable chairman of the House Agriculture Committee, are talking of abandoning crop restriction entirely. They'd set some sort of ceiling on government subsidy by limiting price support measures to production within a set "goal." But there'd be no penalty on producers who exceed the goal except denial of subsidy on the excess output.

Many farmers will welcome Republican talk of bringing price supports into play before prices sink from a present 130% of parity to the 90% level written into law. They'll also welcome talk of redefining parity upward by inclusion of labor costs. But farm leaders doubt the permanence of any price support system not backed up by crop limitation—particularly in the light of Republican emphasis on economy.

Direct Subsidies Unpopular

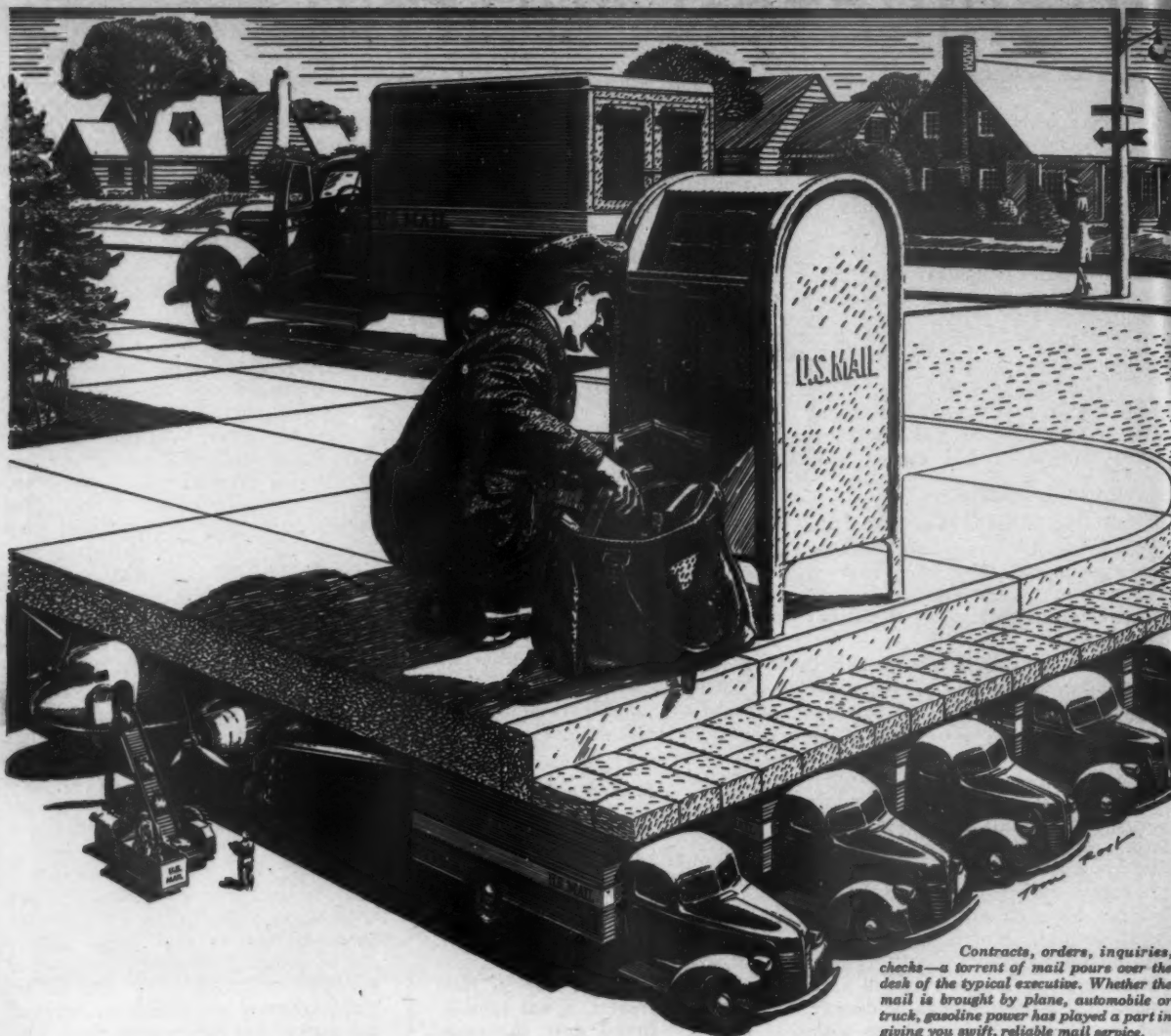
Equally, the farm organizations are bothered by the belief that price support on a portion of a crop would necessarily be achieved by direct payment of subsidies, on production within the set goals, covering the difference between the market and the support price. This the farmers have always opposed. They want the government to establish a firm price in the marketplace, not to mail them relief checks.

NOBODY LOVES THEM

Disappointed in the Republicans, the farm leaders are also being undercut in the Democrat Agriculture Dept. Department strategists are convinced that the farm vote is irrevocably lost; so they are no longer interested in crop restriction and are not very enthusiastic about price support.

Rather, they're turning toward the hope of maintaining farm income by broadening the market for farm products, reducing the middleman charges in distribution. Little farm enthusiasm can be expected for this indirect approach, but it should appeal to the labor and consumer vote.

Last session's Hope-Flannagan Act authorizing a program of market research was a step in this direction. But



Contracts, orders, inquiries, checks—a torrent of mail pours over the desk of the typical executive. Whether the mail is brought by plane, automobile or truck, gasoline power has played a part in giving you swift, reliable mail service.

The mails go through on gasoline

TRUCKS, automobiles, planes supply *swift* mail service not only to city homes and offices but to lonely farms and 54,000 rail-less communities as well. Since this system leans so heavily on gasoline transportation, it follows that any improvement in fuels or engines benefits everyone who uses the mails—which means just about everyone.

During the past twenty years refiners have been utilizing Ethyl brand of antiknock compound to help develop higher octane fuels that would give more power yet cost no more. The automobile industry, in turn, has constructed superior engines capable of making the most of improved gasoline.

In the past two decades, engine power has more than doubled—while mileage per gallon is about one-fourth more for similar sized automobiles.

The Ethyl Corporation, although today experiencing a shortage of the basic material used in antiknock fluid, looks ahead to even better gasoline in the future which

will allow still greater gains in engine performance. To this end it continues its cooperative research efforts with both the oil and automotive industries—helping to provide better motor transportation at lower cost for everybody. The Ethyl Corporation, Chrysler Building, New York 17, N. Y.

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the trend shows most clearly in the reorganization of the department. During the war the two dominant organizations in USDA were the AAA, which had administered the prewar farm program and was concerned, in wartime, with stimulating production, and the War Food Administration, whose job was distribution. A year ago the two organizations were merged into the Production & Marketing Administration.

Degrading Triple-A

Symbolic of AAA's loss of prestige was the change of its name to the Field Service Branch. WFA became a group of commodity branches, supposed to set broad policy for administration by field service through the state directors.

Last September, Secretary Anderson tried to take a second bite, relegating field service to a minor position and giving the commodity branches direct control over field operations. Bitter protests by the farm organizations and by state PMA administrators—who saw it as final abandonment of the prewar philosophy and as representing ascendancy of “processor influence”—compelled Anderson temporarily to defer this second reorganization, but he is still determined to put it through.

THE SENTENCE IS DEATH

Any lingering hopes of the utility industry (BW-Apr.6'46,p16) that it might eventually escape the full impact

of the “death sentence” clauses of the Public Utility Holding Co. Act of 1935 now appear to be pretty effectively squashed.

In a 6-to-0 decision, with Justices Reed, Douglas, and Jackson not participating, the Supreme Court this week ruled that:

- The law forcing dissolution of holding companies if their existence complicates the corporate structure is constitutional;
- The Securities & Exchange Commission is within its constitutional rights in ordering dissolution of Electric Power & Light Corp. and American Power & Light Co., both subsidiaries of Electric Bond & Share Co., since those two companies “unduly and unnecessarily” complicated the parent system and

Industry Will Take Part in Study of Steel Capacity

Alert to the possible political and business repercussions of the Commerce Dept.'s study of the long-term adequacy of steel production capacity (BW-Oct.12'46,p5; Nov.2'46,p7), the steel industry has decided to sit in. The American Iron & Steel Institute's commercial research committee will meet with Commerce officials early next month.

Steel's qualms about the study are intensified by its origin. It's no mere Henry Wallace holdover. Rather, it was inspired by some auto makers, who fear that their ambitious production plans for the coming years may be crippled by inability of the steel-makers to supply them. To check on the situation, Commerce is asking each of the major steel consumer industries for a projection of its needs—on the assumption of a full-employment economy and also of various lower levels of activity.

• **Fate Is Uncertain**—Ultimate fate of the study is still in Secretary Harman's lap. It was begun before he arrived on the scene, and he's inclined to be cautious about committing the department to any firm position on such a touchy subject.

He might decide to publicize the results, including an analysis of the findings, and follow up with similar studies of other basic industries. He might release the bare statistics without pointing any morals. Or he might consign the whole thing to the departmental files.

• **CPA's Position**—Meanwhile, steel came under pressure on an unguarded

flank when the Civilian Production Administration revealed a capacity study of its own. CPA and its predecessors, WPB and OPM, have been generally sympathetic to the industry's views ever since the defense-period Gano Dunn report stated flatly that there was no need for expansion of steel plants.

But CPA boss Small, who is carrying on a campaign to talk down a 1947 recession, last week emphasized preliminary findings—based on population and production trends—that 10 million to 20 million ingot tons of additional capacity would be needed within three years.

• **Investment Question**—Talk of expansion always makes steel men think of the dark thirties, when production sagged to 15% of capacity. But what particularly worries them now is uncertainty about private financing of any new capacity. Industry studies show a declining rate of return on investment in steel.

This points rather uncomfortably toward RFC or other public financing—perhaps as stimulation of the economy, perhaps as part of an industrial mobilization for possible war. Big industry is not yet willing to agree that it should continue in peace its wartime preference for partnership with the government, even if government is content to put up the money and leave the profit to business.

• **Should Priorities Be Dropped?**—Short-term thinking on steel supply now hinges on the duration of the

coal strike (box, page 16). The immediate issue is: Should CPA follow its usual practice of abolishing priorities whenever steel is very scarce in order to protect nonpriority consumers? Wilson Wyatt, who wants to be sure that his housing program will be the last to suffer, has already forced a one-week postponement of CPA action.

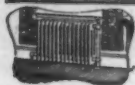
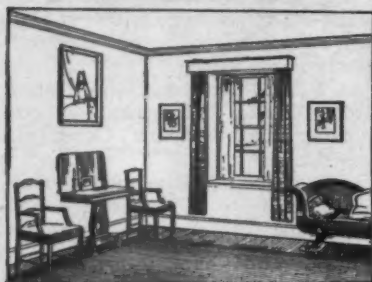
Regardless of the strike, however, CPA predictions indicate an increasing discrepancy between demand and supply of steel for at least the first half of next year.

• **Shortage Seen**—Minimum demand reported by industry for finished steel is estimated at nearly 14 million tons in the first quarter of 1947 and at just under 15 million in the second quarter. Before the coal trouble, output was running at 13,250,000 tons a quarter.

Most marked increase in 1947 demand is registered by housing—reflecting the new emphasis on metal prefabricated houses (BW-Nov.9'46,p7) and an increase in apartment buildings. Steel needed for housing in the first quarter will be 18% more than current demand; 43% more in the second quarter. By the second quarter, housing will be absorbing about 8% of over-all finished steel production or some 1,200,000 tons, much of it sheet, which is particularly short.

• **Most for Autos**—Biggest single consumer, next year as now, will be cars and trucks, taking more than 2,700,000 tons in the second quarter.

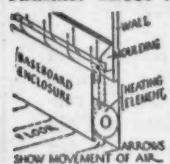
Where is the Radiator?



Make this test: Cut out illustration of radiator. Place cut-out picture in position under window in living room above. See how presence of radiator in room interrupts whole scheme of decoration and cuts down usable floor space.

Webster Baseboard Heating will take the radiator "out of the picture" in your Home of Tomorrow. In this patented new development the heating element fits behind a specially built metal baseboard. Air goes in at floor line, passes over heating element, is warmed and comes out of slots at top of baseboard—constant, even circulation, with temperatures varying less than 2° F. from floor to ceiling.

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"unfairly and inequitably" distributed voting power;
• SEC must be intrusted with the responsibility of carrying out the provisions of the holding company law to its best judgment.

CAPITAL GAINS (AND LOSSES)

The radio broadcasting industry is talking down an all-out investigation of the Federal Communications Commission by the G.O.P. Congress. Spokesmen indicate willingness to ride with Acting Chairman Charles Denny as Paul Porter's likely successor. Only congressional action desired is revamping of statutory provisions governing procedure and appeals.

Republican agitation for purging the government of Communists has finally persuaded President Truman to set up an interagency committee to recommend by Feb. 1 what action should be taken, legislative or otherwise. The House Civil Service Committee urged this step upon Truman four months ago.

Although expecting plenty of gripes from people who have been waiting months for new automobiles, CPA has authorized manufacturers to sell cars to post exchanges, without regard to export quotas, for resale to G.I.'s and U. S. civilians overseas.

THE COVER

When all 1946 corporate profits are lumped together, they make an impressive showing. The cover chart tells this much of the story fairly well: Profits after taxes are at a peak, due in large measure to elimination of the excess-profits tax.

What the chart on the cover does not tell is the great variation in 1946 earnings among different industries and among different companies in individual industries. The wide range of earnings is discussed fully in the Report to Executives, "Corporate Profits—Postwar Pattern" (page 37).

Also explored there is the probable trend of profits in 1947, taking into account the effect of future business activity, future wage levels, and future tax rates.

A full examination of the profits picture by Business Week economists led them into a study of the effect of raising wages by reducing the rate of return on invested capital, which is critically analyzed separately in The Trend (page 104).

The Pictures—Press Assn.—22, 32, 55, 83; Acme—79, 98; Int. News—50; Harris & Ewing—88; McGraw-Hill World News—17; McGraw-Hill Studios—36; Benham-Pierce Studio—76.

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BUSINESS WEEK

NOVEMBER 30, 1946



Get the coal mines out of Uncle Sam's hands. That is the crying need pointed up by the miners' walkout (page 15).

Best bet for accomplishing this would be a break in the mine operators' front. The "captive" mines, owned mostly by steel companies, have indicated a willingness to negotiate. This might crack the front.

Meanwhile, steel operations already have been curtailed by 30% (page 16). That gives an idea how fast effects of the coal stoppage are spreading.

Wall Street sets store by the idea that some coal mine operators may bolt the industry's negotiating committee. Stocks rallied strongly Tuesday (page 102) on reports that Lewis was talking with Cyrus Eaton (presumably speaking for Cleveland iron-steel-coal interests) and Harry Moses of Frick Coal Co., a United States Steel subsidiary.

Bituminous coal, between the two wars, was a sick industry, and its illness probably will become chronic again.

It is constantly cramped by inroads of oil and natural gas. It can ill afford to raise prices and foster this competition.

John Lewis, however, counts on old age of miners and lack of replacements to prevent unemployment among his United Mine Workers. He sheds few tears over competitive fuels or mechanization of mines.

Remember, too, that Lewis has no heir apparent for whom to conserve his union estate.

Thus coal can't necessarily look forward to labor peace even if Lewis wins the wage and working-condition goals at which he aims.

Coal-hauling railroads, as well as bituminous operators, have a big stake in limiting encroachment of other industrial fuels.

Anthracite producers and the railroads that haul their output have a similar interest in home heating in the Northeast.

So, managements of the coal roads, much as they might like to see Lewis' hide on the barn door, don't want it at the expense of coal.

If you hadn't guessed, this coal thing is a fine kettle of fish.

Strikes and other handicaps are doing nothing to help manufacturing companies build up working capital for expanded capital for expanded output.

In fact, business holdings of liquid assets have been falling off (chart, page 15) since the end of last year. They are, nevertheless, about 3½ times as large as they were before the war started in 1939.

No breakdown is available on various industries' holdings, however. To the extent that bank deposits are an indicator, trade and financial businesses have gone right on adding to liquid resources.

Manufacturing and mining, on the other hand, are just about where they were three years ago. That is scarcely 60% above prewar.

Meanwhile, manufacturers have to finance inventories that are 90% above the 1939 average and shipments that are up 140%. That's not to mention the growth in employment and higher wage rates.

You can see why many companies need new money (BW—Nov. 16'46, p76).

Inventory accumulation has been fairly evenly divided between manu-

THE OUTLOOK (Continued)

BUSINESS WEEK

NOVEMBER 30, 1946

facturers of durable goods and nondurable goods since the big July jump.

However, for the third quarter as a whole, the nondurable manufacturers added most to stocks. Value of nondurable inventories rose 11.2% to a total of \$9,337,000,000; for manufacturers of durables, in the same period, the rise was 8.4% to reach \$9,539,000,000.

Value of shipments, however, was up 23% for the manufacturers of durables from June to September but only 10% for nondurables.

As to finished goods inventories, both had gains. But this was much more marked in nondurables—up 10.4%—than in durables with 4.6%.

Trying to bring inventories into line can have some queer results.

Companies have, in many cases, overbought on the materials and parts that are available. Suppose the boss tells the purchasing department to go a bit easy.

Practically before anyone realizes it, policy is completely reversed; instead of just reducing new orders, buyers are likely to be canceling.

Suppliers are likely to think the recession is already upon them.

Prices are going to complicate inventory problems increasingly in the immediate future.

The Bureau of Labor Statistics index of industrial raw material prices has gone up 16% in a little over two weeks. While this means an inventory profit, it also means that stocks look proportionately larger and, by the same token, more dangerous in case of a business turnabout.

Of course, not all materials are up as much as 16%. This average covers a limited group of fast-moving spot commodities.

But it gives some idea. Supply has not yet come close to catching up with demand at present prices.

The inherent danger here is that, when they do come into balance, it won't be due so much to increased supply as to the fact that demand has been reduced by the price level. That would mean a sharp adjustment.

One gratifying phase of the auto sales situation is that dealers aren't likely to oversell—even if manufacturers could turn out the cars.

Many in the industry remember only too well the mess in 1936 and 1937. Time payments then stretched out until, in certain glaring cases, the customer had up to 48 months of instalments.

With demand what it is, there isn't very much tendency to make such a mistake now. Even if there were, the Federal Reserve Board's 15-month maximum on instalments of this type would stand in the way (BW—Nov. 23/46,p21).

President Truman gets one windfall out of the end of price ceilings.

His budget profits to the tune of about \$500 million. This is the saving out of rollbacks and other discontinued subsidies.

If the Administration is able to stick rigidly to its planned economies—which now seems rather doubtful—this subsidy money could bring the budget within shouting distance of a balance.

But a lengthy coal strike or a string of disputes such as marked last winter would tell a very different story (page 17). Personal and corporate income tax receipts would drop off severely.

Deep Drawing in **BRASS**

Chemical Activation and Heat Dispersion in **RUBBER**

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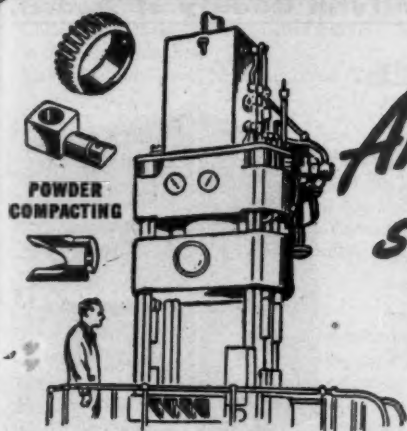
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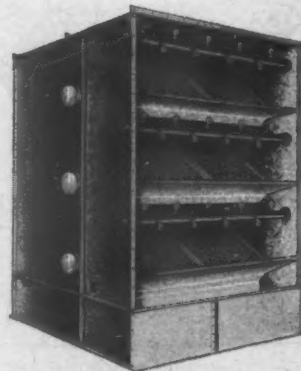
Clarage Capillary Air Conditioners are complete factory assembled units, including a Capillary cleaning section, pump, heating coils, fan, drive and motor. They are available in seven sizes — 1800 to 20,000 c.f.m. Horizontal units, as shown above, are built in both Class I (con-current) and Class II (counter-current) types. Vertical units in Class II arrangement only.

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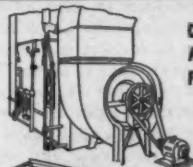
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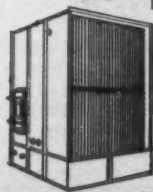
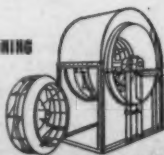


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FIGURES OF THE WEEK

THE INDEX (see chart below). *184.3 †188.9 185.3 168.8 162.2

PRODUCTION

	† Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity).....	62.8	91.4	89.4	83.5	97.3
Production of automobiles and trucks.....	94,973	194,425	87,680	16,750	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$12,538	\$15,332	\$14,781	\$10,360	\$19,433
Electric power output (million kilowatt-hours).....	4,765	4,700	4,602	3,841	3,130
Crude oil (daily average, 1,000 bbls.).....	4,810	4,792	4,730	4,769	3,842
Bituminous coal (daily average, 1,000 tons).....	2,202	12,117	2,085	2,057	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	88	89	88	78	86
All other carloadings (daily average, 1,000 cars).....	65	63	67	55	52
Money in circulation (Wednesday series, millions).....	\$28,689	\$28,761	\$28,585	\$28,198	\$9,613
Department store sales (change from same week of preceding year).....	+24%	+20%	+24%	+9%	+17%
Business failures (Dun & Bradstreet, number).....	24	28	33	7	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	374.0	374.9	350.2	263.8	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	255.1	†250.5	210.7	169.5	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	315.2	310.9	313.7	232.7	146.6
Finished steel composite (Steel, ton).....	\$64.45	\$64.45	\$64.45	\$58.27	\$56.73
Scrap steel composite (Iron Age, ton).....	\$25.00	\$24.75	\$19.17	\$19.17	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	19.400¢	17.693¢	14.375¢	12.000¢	12.022¢
Wheat (Kansas City, bu.).....	\$2.16	\$2.10	\$2.05	\$1.68	\$0.99
†Sugar (raw, delivered New York, lb.).....	5.57¢	5.57¢	5.57¢	3.75¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	30.75¢	31.38¢	31.53¢	24.05¢	13.94¢
Wool tops (New York, lb.).....	\$1.623	\$1.582	\$1.330	\$1.330	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	22.50¢	22.50¢	22.50¢	22.50¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	113.7	116.4	115.3	134.6	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.18%	3.16%	3.16%	3.13%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.60%	2.59%	2.60%	2.61%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-14½	14-14½	14-14½	1.00%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-1%	½-1%	½-1%	¾%	1-1½%

BANKING (Millions of dollars)

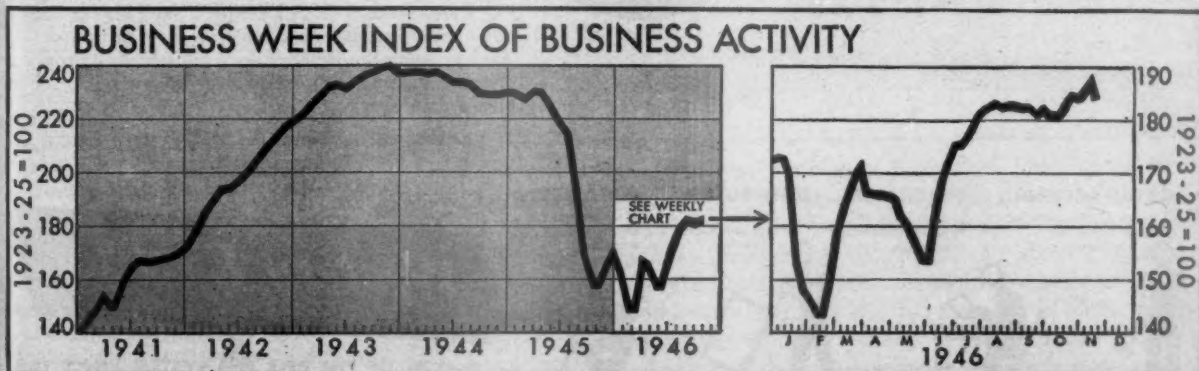
Demand deposits adjusted, reporting member banks.....	39,840	39,501	39,690	39,805	23,876
† Total loans and investments, reporting member banks.....	57,736	57,548	58,768	62,057	28,191
Commercial and agricultural loans, reporting member banks.....	10,156	10,029	9,622	6,751	6,296
Securities loans, reporting member banks.....	2,561	2,651	2,423	3,790	940
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	37,881	37,626	39,619	45,550	14,085
Other securities held, reporting member banks.....	3,380	3,401	3,417	3,237	3,710
Excess reserves, all member banks (Wednesday series).....	690	920	541	1,043	5,290
Total federal reserve credit outstanding (Wednesday series).....	24,314	24,565	23,636	24,331	2,265

*Preliminary, week ended November 23rd.

† Revised.

‡ Ceiling fixed by government.

§ Date for "Latest Week" on each series on request.





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A UNIT OF THE BELL  SYSTEM SINCE 1882

Problem for the Nation

John Lewis' actions in coal dispute raise questions of power affecting whole U. S. economy. One of his aims: to get a wage boost before Congress slams the door—with C.I.O. outside.

What is John L. Lewis trying to do and what can be done about it? Not since Nippon's Son of Heaven let them know when the war was going to end have so many Americans shared a common curiosity.

To a nation dependent for its work and welfare on what members of the United Mine Workers brought out of the earth, the great coal strike was the biggest thing that had happened since the boys came home.

In the cities, where dimout lighting stirred painful memories of the sea-saw Battle of the Bulge; in the countryside, where train schedules became increasingly uncertain; but especially in the mills and factories, where the alternative of boom or bust for the economy was going to be decided by the magnitude of production schedules and employment rolls, what Lewis did and what was done about Lewis were questions of the greatest moment.

• **How It Started**—This is what had happened: Just six months ago Lewis and Interior Secretary Julius Krug signed a document providing for government operation of the bituminous mines manned by U.M.W. members. That document brought to an end a seven-week coal strike. It provided a wage increase for the miners, a welfare fund, and other concessions which Lewis then hailed as the greatest victory his union had ever achieved.

It also had two nonsubstantive clauses which now mean one thing to Lewis and another to the government. These clauses are the legal foundation of the present controversy.

• **The Vital Clauses**—The first of these clauses declares that the document both men signed would govern "for the period of government possession the terms and conditions of employment in respect to all mines in government possession." The government today maintains that Lewis contracted for as long as the mines were federally operated, and that he violates the contract by attempting to force a change in terms and conditions during that period.

The second of these clauses states that, except where specifically amended, "this agreement carries forward and preserves the terms and conditions" con-

tained in the previous agreement between the U.M.W. and the coal companies. One of the terms in the previous agreement made the contract terminable upon proper notice.

Lewis today maintains that the contract termination provision of the old contract was not specifically amended (as an example of what is meant by a specific amendment he points to the actual rewriting of certain of the substantive clauses) and that he therefore acted legally in duly filing notice that the contract was to be voided.

• **Course of Action**—Aware that no contract meant no work in the mines, the Attorney General's office at first was reluctant to proceed against Lewis because of the government's questionable legal position. But at President Truman's direction it went into court and obtained an order calling on Lewis to

rescind his notice of contract termination. It asked the court to enjoin Lewis from violating his contract because such action would "seriously endanger the public welfare and safety."

The court issued such an order, only to be challenged by Lewis on the ground that he had not violated the contract. To punish Lewis or his union in any way for being in contempt of the court's order, it will first have to be proved, and sustained on appeal:

(1) That he has violated the contract, and

(2) That the court has not exceeded the limitation on its authority to issue injunctions in labor disputes which was imposed by the Norris-LaGuardia Act.

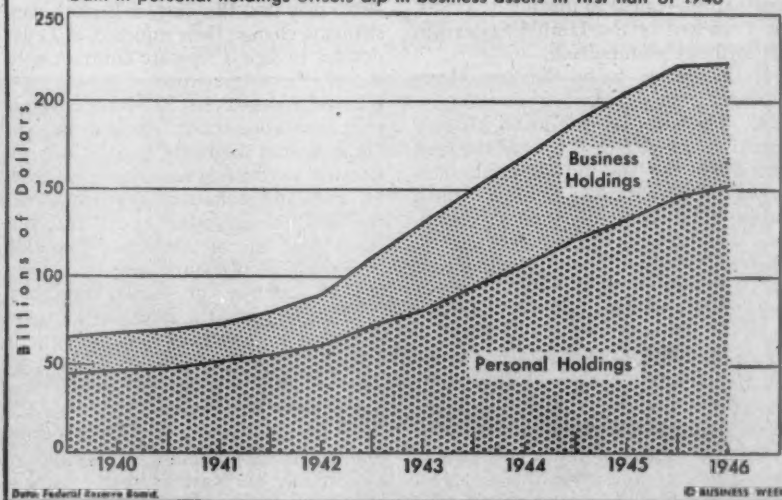
Some eminent lawyers who are unsympathetic to Lewis nevertheless hold the opinion that the government cannot make its case.

• **Out of Ammunition?**—Beyond its legal battle with Lewis the individual, the government has done nothing nor revealed a serious intent to do anything which will get the mines back in operation. Short of capitulating to the union, its advisers are hard put to suggest anything it might do.

The suspicion was growing in Wash-

SAVINGS FLATTEN OUT:

Gain in personal holdings offsets dip in business assets in first half of 1946



Estimates of the country's liquid assets as of June, 1946, just released by the Federal Reserve Board, show that the rate of growth of savings has fallen sharply since the end of last year. Business holdings actually declined \$3,400,000,000, but personal holdings increased enough to bring about a net gain of \$1,300,000,000 in the over-all total. The \$152-billion total of personal holdings in June is the highest in history, and indicates that there is still plenty of available purchasing power in the nation's economy. But it is undoubtedly true that the rise in prices is currently forcing more and more people into the group that is unable to save anything out of income.

Strike's Impact on Industry: Where, When, How Hard

A cold shiver passed through American industry as it was plagued once again by a stoppage of soft coal production.

• **Quick Reaction**—Business activity slowed down immediately. Effects of the mine shutdown were coming much faster than in any other coal strike of recent times.

What will a continued strike mean to steel, railroads, and utilities? What will it mean to other industries? Here is a birdseye view of the probable effects.

• **Steel**—The strike caused steel mills to cut operations to a rate of 62.8% of capacity this week (last week's rate was at a postwar high of 91.4%). It was estimated that output will decline to about 50% of capacity next week if the strike is still in full force.

Steel mills were banking furnaces rapidly to protect equipment. If companies do not let their coal stocks fall below a two weeks' supply, it was said, they can keep equipment intact for about eight weeks.

• **Railroads**—As the strike began, railroads had enough coal on hand for 27 days of normal operations. But

it is estimated that this will carry them for at least 35 days because (1) coal traffic has been eliminated, and (2) a 25% cut in steam passenger locomotive mileage was ordered. An additional cut in passenger traffic of about 10% seemed likely soon.



Industrial dimout

More important to American business is the likelihood of a freight embargo. If no strike settlement is in sight by the middle of next week, an embargo will be seriously threatened. It will be resisted as long as possible to prevent traffic jams later. The railroads can move essential freight and passengers for about 45 to 50 days.

• **Utilities**—Electric power companies went into the strike with an estimated 70-day coal supply (BW—Nov. 23 '46, p38). This over-all stock will last much longer as the brown-out takes effect and as industrial use of power drops.

• **Other Industries**—Merchant pig iron producers are being affected as rapidly as steelmakers. Loss of pig iron will cause foundries to close or reduce operations drastically. Machine-tool makers will feel the effects of the coal strike when castings become scarce. Auto companies will be able to run as long as they can get steel and iron or until a freight embargo hampers receipt and delivery of goods. Textile firms will also be affected indirectly by restricted shipping.

ington this week that Harry Truman had ridden into battle with only one shot in his gun. When that shot—the court action—failed to intimidate Lewis, the President of the United States was left without ammunition.

If this proves to be the case Harry Truman is in a very bad position indeed. The most he can do on his own initiative to save face is to stall the final decision in the law suit—a simple matter for the government attorneys—until the Eightieth Congress, under Republican leadership, convenes on Jan. 3. Then he can toss his political opponents the problem of what to do about a coal strike that no existing law can reach.

• **Possible Ending**—Meanwhile, Lewis will try to negotiate a settlement with the private operators. He has already begun discussions with the private owners of the captive mines. The owners have a greater incentive to find agreement with the union now than they did last spring while price control was still in effect.

Any agreement reached will not require government review, and it will return the mines immediately to private management. Such an ultimate agreement would be almost certain except for one thing: The southern coal operators, represented by Edward Burke

(page 88), have yet to accept the principle of an employer-financed welfare fund. But the coal strike—or most of it—still may end this way, if Burke's constituents change their minds or if Lewis decides to sign a separate contract with the northern operators.

• **Lewis' Aims**—What Lewis really wants in a new contract still is not known. He indicated originally that he was interested in having tonnage calculated, for wage and welfare-fund purposes, on the basis of unwashed coal. He contends that his members are swindled by having calculations made, as at present, on "refined" or washed output.

More importantly, however, he is on record as wanting to reduce the miner's work-week from its present 50-54 hour range to 40 hours with no loss in take-home pay. Bargaining has yet to sift these demands down or develop others that he has not publicly announced.

Certainly, no matter how it's maneuvered, one of the things Lewis is trying to do is to get a pay boost for the miners. What this amounts to may very well be the ceiling figure for the second postwar round of wage increases in all industry (page 79). If in getting the pay raise he forces the Truman Administration into complete political bankruptcy, so much more the gain as Lewis counts such matters.

• **Grand Slam**—But while the embarrassment of the Democrats will please Lewis immensely, it is not worth as much effort to achieve as another objective, nearer to his heart. He will consider it a grand slam if he gets a wage increase in such a way as to close the door on his despised rivals who lead the C.I.O.

If Lewis can escape the reprisals which an aroused Congress will prepare for all labor by making a favorable deal with the coal operators before his hands can be tied, leaving the C.I.O. unions hobbled by drastic regulations, he will have landed a telling blow on the industrial union movement he built.

He does not want to destroy those unions. He wants to dissolve their combination and bring them back into the A.F.L., where he is the undisputed power.

• **A National Problem**—What Lewis wants, in short, is what every labor leader seeks: more power for himself and his union, higher wages for his men. What makes him a national problem is that he displays a fearlessness, a resourcefulness, and a tenacity which put him head and shoulders above his kind.

It may prove to be a national tragedy that this lonely, brooding figure followed his star on the labor side of the very industry on which America's economy must rest.

Second Thoughts on Taxes

Both parties take another look at federal revenues—and the voters. Republicans' 20% cut would leave little sweetening for '48. Balanced-budget stand worries Democrats.

Tax reduction next year will not be a cut-and-dried proposition, no matter how positive congressional leaders seem about it. Now that Republicans and Democrats have firmly taken opposing stands on the subject, both are quietly backing away from their positions.

Republican chiefs are beginning to think they may have been a little hasty in indorsing the proposals of Rep. Harold Knutson, the erratic chairman-to-be of the House Ways & Means Committee.

Knutson has promised to bring in a bill as soon as Congress meets to cut personal income taxes in 1947 by a flat 20%. After that he would repeal the wartime boosts in excises, effective July 1, 1947. Then he would settle down to a full-dress study of long-term tax revision.

• **Double Drawback**—Cutting both the excises and the personal income tax would be an expensive business. At the present level of national income, it would take about \$5,600,000,000 a year off federal revenues (BW—Nov. 16 '46, p. 28). That would rule out any chance of paring down corporate taxes next year.

What is worse from a political standpoint, it would leave no elbow room for another cut before the 1948 elections. (Many Democrats now think

they made a bad mistake in not providing some sort of tax sweetening to take home to the voters in the recent election.)

• **Who—Us!**—Republicans are not backing down half so much as the Democrats, however. The political heirs of Franklin D. Roosevelt are still a little bemused at finding themselves advocating a balanced budget and reduction of the debt above everything else.

President Truman and Secretary of the Treasury John W. Snyder officially are sticking to the line that there can be no tax cuts in 1947. Privately, Administration strategists agree that they can't afford to let the Republicans take all the credit for binding up the taxpayer's wounds.

• **First Choices**—When the issue comes up in Congress next year, the big question will not be to cut or not to cut, but how much and where.

Republicans in general want to give the greatest relief to the middle- and upper-bracket taxpayers, who now are carrying the heaviest loads. If they have anything left over, they will be glad to give it to corporations. But with the corporate rate at 38% and the individual surtax rates running up to 85%, they will tackle the personal income tax first.

Many Democrats would like to give

INCENTIVE PLAN

Washington tax experts recently bobbed up with another variation on the popular theme of incentive taxation to promote investment and employment. Their idea is simply to allow corporations to depreciate new investment in one year—that is, let them write off the cost of a new facility against the income of the year in which it is built instead of making them spread the deductions over the life of the asset.

The proposal's big advantage is that it could be applied alike to new and old, big and little companies. The main hitch is that for a long time the plan would take a drastic bite out of Treasury revenues from corporate taxes.

To work, the plan would have to be combined with liberal provisions for carryforward of unused deductions. Then any corporation considering a new investment would be sure that it could charge the cost off against taxes as soon as its income was large enough to cover.

the biggest benefits to lower-bracket taxpayers. As far as they are concerned, relief for corporations is strictly secondary.

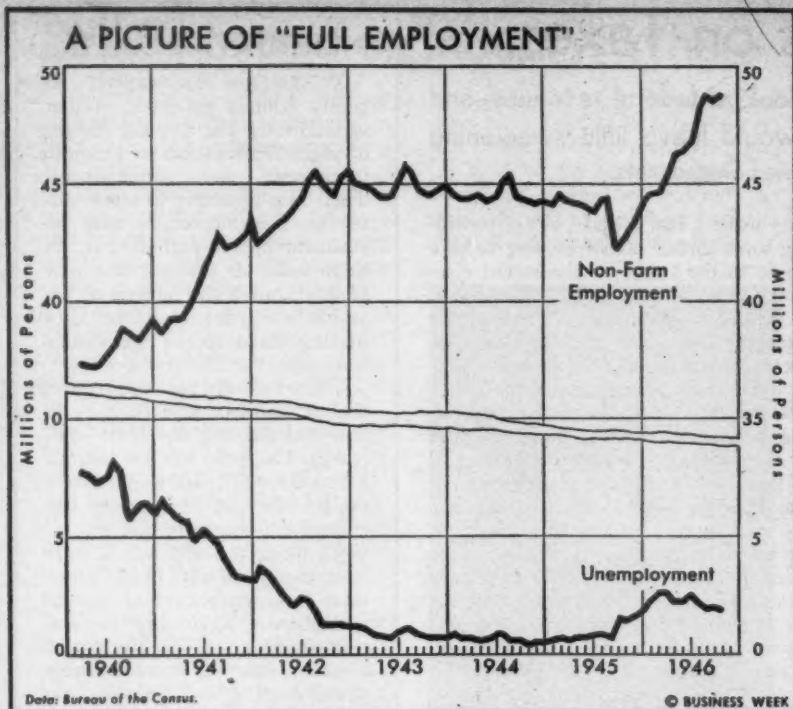
• **Alternatives**—On this point at least, the arithmetic of the problem will be working for the Republicans. Any change in individual income taxes for 1947 will have to be made early in the



IN A HOLE AND LIKING IT

Sweden's basic industries, having gone underground during the war, apparently are going to stay there. Apart from the security angle, the storm cellars—blasted from solid rock (left)—are impervious to weather, don't need exterior maintenance or heating systems, the Swedes report. Typical of most, Bolinder-Munkstall's subsurface

plant (right) is lined with hardboard painted in "sunshine" white, is air-conditioned. Workers report they prefer subterranean plants where temperatures are stable, drafts rare; for those with claustrophobia there are fake windows with potted plants and painted landscapes. And while cave construction costs run 15% more than comparative building above ground, the Swedes contend that the plants will be 10% cheaper over a 30-year period.



Nonfarm employment is currently at an all-time peak of almost 49,000,000 persons. This is a 6,000,000 jump over the reconversion low of October, 1945. The last big monthly increase in employment took place in July. The attainment of "full employment" at that point has limited subsequent gains. The unemployment figure of just under 2,000,000 is greater than the wartime total, but is about the irreducible minimum for the freer peacetime economy.

year. Otherwise the withholding system will get hopelessly balled up. The flat percentage cut is the simplest and quickest change that could be made. And the flat percentage cut is the system that would give greatest benefit to the upper brackets.

As an alternative, the Democrats will have to propose a reshuffling of the rate schedules, or a boost in personal exemptions, or some combination of the two. Each point trimmed off the surtax cuts revenues about \$500 million. Each \$100 increase in personal exemptions costs around \$1,500,000,000. Taking five points off the surtax and raising exemptions \$200 (to \$700 a person) would cut revenues \$5,500,000,000—about the same as Knutson's proposals—but it wouldn't sound half so grand as a 20% cut.

• **Husband-Wife Returns**—Treasury experts have a variety of other ideas for cleaning up defects in the present tax system. Some of them might be thrown in to make upper- and middle-bracket taxpayers happier.

For example, Stanley S. Surrey, the Treasury's tax-legislation counsel, has suggested a new approach to the old problem of taxing the income of married couples. His plan is to let any couple

file two returns, dividing their total income equally between them regardless of who earned it.

Splitting incomes between husband and wife would pull them out of the top surtax brackets and reduce the total tax liability. It would mean a sizable

Corporate Tax Hope

Corporations are afraid that it will be at least another year or more before they get any real reduction in tax rates. But they now feel sure of gaining one point: The next Congress almost certainly will liberalize the carryover provisions of the tax law to permit corporations to carry forward operating losses as much as five years as a deduction from taxable income.

Both houses of Congress are ready to put through the proposal without much objection. Treasury experts also are sympathetic to more liberal carryforward provisions, but they would resist a plan for allowing carrybacks that might mean tax refunds.

saving for married men earning \$5,000 a year or more, whose wives have no income. Below \$5,000 it wouldn't amount to much.

• **Its Virtue**—From the Treasury's viewpoint, the proposal would have the big virtue of settling the question of what to do about the community property states. In nine states (mostly in the West) local law already gives taxpayers the privilege of splitting incomes with their wives. This gives them an edge taxwise over the inhabitants of other states.

Secretary Henry Morgenthau Jr. tried stubbornly to wipe out the inequity by making joint returns compulsory. Congress always turned him down flat.

• **Averaging Scheme**—The Treasury also is playing with plans for some sort of long-term averaging for individuals whose incomes vary widely from one year to the next. This would, in effect, give individuals the same carryforward privileges that corporations have.

The hitch is that it would be practical for top-bracket taxpayers but administratively impossible if applied to everybody.

Unless the Treasury suggests them, Congress probably won't get around to considering any of these refinements in time to apply them to 1947 income tax payments.

• **Happy Compromise?**—As things look now, President Truman will be able to propose a budget for fiscal 1948 somewhere between \$32,800,000,000 and \$34,600,000,000. If national income holds up, the present tax system would yield about \$40 billion.

Democratic strategists think a smart move for the President would be to propose splitting the difference equally between tax cuts and debt reduction. Assuming a \$34 billion budget, Congress would then have about \$3 billion to play around with in tax reduction. Since the wartime excises (worth about \$2 billion a year) are scheduled to expire six months after the formal end of hostilities, only \$1 billion or so would be available for permanent cuts in the income tax rates. If Republicans wanted to make good on their promise of a 20% cut, they would have to find some slack to take out of the budget.

• **Foundation Stone**—One thing that would set both Democrats and Republicans back on their heels would be a sudden slump in business and a drop in national income. The only reason the tax system is yielding \$40 billion a year now is that national income is running higher than anyone thought it could in peacetime.

If national income should slide off only \$10 billion or so, tax receipts might drop as much as \$3 billion, or just about the amount the Republicans would need to make a 20% cut for individuals.

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Textile Dollars Go South

Northern capital integrating and expanding southern mills through purchase and construction programs. Management by local executives lessens old hostility to outside interests.

Yankee dollars are streaming southward as integration of the textile industry below the Mason-Dixon line continues apace.

• **Vertical and Horizontal**—All kinds of textile plants are being bought. Larger mill groups are becoming more common. Sometimes, existing mills are bought to accomplish vertical integration (joining together successive steps in manufacture and marketing, commonly called "yarn-to-consumer" integration). In other cases, the purpose behind the purchase is horizontal integration (merging a number of plants at the same production level).

Hooking up old, established plants is not the whole story. There is also much expansion of physical facilities for textile making in the South. Northern corporations are embarking upon large-scale building programs in the Carolinas, Virginia, and Tennessee.

• **Multimillion Planning**—What the combined integration and expansion programs mean in dollars spent or to be spent is not fully known. Many mill sales are made at undisclosed prices. Investments for further expansion and development are not always revealed, and are subject to change.

But it is evident, from announced deals and plans, that \$100 million for old-plant purchases and another \$100-million for new plants are low figures. The combined total could be double or triple these figures or even more.

• **Samples**—In the industry today, the selling price of any spinning mill is estimated at \$60 a spindle. Recently, 13 cotton mills with 225,000 spindles were sold. This meant that at least \$13,500,000 was involved in the transactions. But that figure makes no allowance for any looms involved. Nor does it include the liberal working capital most of these mills may have had.

Celanese Corp. plans will give an idea of the dollars earmarked for expansion in the Southeast. Celanese will spend \$40 million for expansion at Rock Hill, S. C. The Civilian Production Administration has approved the expenditure of \$9 million for materials. The company's resident engineer estimates it will take 18 months to complete the first unit.

• **Way to Harmony**—Surprisingly, the inflow of northern capital is not being resented as much as in the past.

The South has yet to forget the invasion of carpetbaggers after the War Between the States. Nor have fears of

absentee ownership and management been entirely dissipated. But top managements of textile companies, headquartered in the North, have been successful recently in impressing the South with the good intentions of northern capital.

Here are two examples of goodwill in the making:

Textron, Inc., a rapidly expanding textile concern which is a good example of vertical integration, set up a new subsidiary, **Textron Southern, Inc.** (BW-May 18 '46, p68). As chairman of the new unit, Textron named B. B. Gossett of Charlotte, N. C. For many years, Gossett headed the twelve mills in Charlotte and Anderson, S. C., which Textron absorbed. Textron Southern is

taking over en masse the mills' operating managements and electing these men to official positions. When the official roster of Textron Southern was announced, Gossett commented: "The presence of Textron in the South means a great deal in the future of southern textiles."

J. P. Stevens & Co., New York textile selling agent, merged itself this summer with ten big southern mill properties (BW-Aug. 3 '46, p74). Stevens lately elected 23 directors, of whom ten were Carolinians. These men formerly held high places in the mills operated by the Henry and Beatty interests of Greenville, S. C., and other veteran southern mill operators. The Stevens organization also is retaining the know-how of the operating executives, supervisors, and overseers.

The Stevens and Textron practice of continuing local managers in responsible positions is being duplicated many times. Smaller companies that have pushed into the South from the North do the same thing. This seems to be taking the curse off the Yankee dollars.

Mill Expansion Projects Surveyed

Persistent expansion of the South's textile industry is emphasized by a Business Week checkup. This shows that corporations producing textiles other than knit goods have made 96 formal commitments since July 1 for construction of 7,666,500 sq. ft. of factory floor space in nine southern states.

The compilation included only those projects on which construction is in progress, or for which contracts had been awarded or materials-purchase authorizations obtained from the CPA.

Mill expansion projects of major size, according to available data, include:

American Enka Corp.—Program to cost between \$50,000,000 and \$60,000,000 at Morristown, Tenn.

American Thread Co.—Expansion at two mills in Clover, S. C.

Bath Mills—\$2,600,000 expansion program announced for Bath, S. C.

Burlington Mills—Expansion program involving North Carolina and Virginia cost \$8,000,000.

Celanese Corp.—Expansion at Rock Hill, S. C., to cost total of \$40,000,000.

Chicopee Mill—New plant in Cornelia (Ga.) area. Estimated investment, more than \$1,000,000.

Cluett-Peabody Co.—Plant at Buchanan, Ga., production to start about Dec. 15.

Colonial Mills—\$2,600,000 total expansion at mills in Virginia and North Carolina.

Dayton Rubber Co.—Expansion at Waynesville (N. C.) plant.

Duplan Silk Corp.—Operations to start early in January at new plant in Winston-Salem, N. C.

E. I. du Pont de Nemours & Co.—CPA approval received for \$2,008,861 materials expenditure for mill at Chattanooga, Tenn. Du Pont also is building \$4,000,000 plant at Parkersburg, W. Va. Application approved for \$5,000,000 rayon plant addition at Waynesboro, Va.

Goodyear Tire & Rubber Co.—\$650,000 plant expansion at Gadsden, Ala., to double output of soles and heels for rubber shoes.

Jefferson Mfg. Co.—Leasing 30,000 sq. ft. of floor area at Spartanburg, S. C., to convert into dress-making plant.

Joanna Textile Mills Co.—Expansion program at Goldville, S. C., to cost \$2,150,000.

Spring Cotton Mills—\$7,000,000 dyeing and finishing plant at Lancaster, S. C.

J. P. Stevens & Co.—Republic Cotton Mills, part of Stevens merger, will build \$5,000,000 dyeing and finishing plant at Great Falls, S. C.

Utica & Mohawk Cotton Mills, Inc.—\$15,000,000 expansion at Seneca, S. C.



CLOUD WITH A SILVER SALES LINING

Row upon row of Ingersoll Utility Units without a roof over their heads turned out to be good news, not bad. J. Fletcher Lankton, architect and inventor of the domestic utility package, had installed 100 in Radio City, a new development near Peoria, Ill., when a labor row stopped all building. The units kept coming and there were no storage facilities. So Lankton set them on concrete slabs, connected them at ground level, waited for a truce to build houses around them. Now Ingersoll Division of Borg-Warner Corp., which makes the units (BW—Sep. 22 '45, p. 55), has a new selling point: Installation is possible before framing, not after, with savings of from \$900 to \$2,000 per house.

Strangled by Competition?

Broadcasters, alarmed at growing number of new stations, fear that may be their fate. If independents can't survive the crush, resulting monopoly would invite stringent government regulation.

Will hundreds of independent radio stations survive the orgy of free competition ahead, or will the broadcasting industry shake down within a few years to a virtual monopoly—a situation which would invite regulation of the industry as a public utility?

With newcomers rushing pellmell into the business since the Federal Communications Commission lifted wartime freeze orders last October, this question is giving broadcasters grave concern.

• **The Record**—Since controls were removed, FCC has issued grants for 480 standard stations—29 more than were licensed in the eleven-year period ended in 1945—and for 593 FM stations, exclusive of the 66 already on the air.

Still pending are 627 applications for standard stations and 278 for FM stations.

• **Case Studies**—A portent of what's ahead may be seen by looking at the situation in two cities:

Pocatello, Idaho, had 18,133 inhabitants according to the 1940 census; its annual retail sales are about \$20,000,000. Tucson, Ariz., had a 1940 population of 36,818; its retail sales come to \$38,000,000. Each had two standard radio stations up to recently. Now

FCC has approved applications for three new ones in each city.

• **Too Much Competition?**—Many broadcasters have protested that FCC is endangering present investments by authorizing more stations for a community than it can support. The commission, through Charles R. Denny, Jr., acting chairman, has countered by insisting that, under the Communications Act of 1934, radio broadcasting is a free enterprise. FCC, he says, is not concerned with retail sales in a community. Its sole duty under the act is to see that as many people as possible get service "in the public interest."

And to prove to the industry that the cure could be considerably worse than the disease, he outlined the procedure that FCC would have to follow should it undertake to determine how many radio stations a given community could support.

• **Horrible Example**—Addressing the recent convention of the National Assn. of Broadcasters (BW—Nov. 2 '46, p. 38), he said:

"First, FCC would have to make an estimate of the potential radio advertising revenue in the market.

"So the second step would be to make an appraisal of the efficiency of

the present broadcaster and the new applicant.

"Third, the commission would have to determine what a fair revenue for the existing broadcaster would be. This would be necessary in order to ascertain whether there would be enough left over for a new station.

"Fourth, to be certain that all similarly situated existing broadcasters are treated alike we would have to prescribe a uniform system of accounting.

"Fifth, this would involve a review of your capital investment, your income account, and your operating expenses. In other words, the suggestion is that the commission concern itself with the details of your business activities even to the point of saying what your income shall be. In fact, like the Indians, you would become wards of the government."

• **FM's Future**—Like many others, Denny believes FM eventually will replace standard (AM) broadcasting, except for high-powered, clear-channel stations serving rural areas. Denny's views are shared by several industry leaders. On the other hand, many standard-station operators say FM cannot and will not replace AM.

Should FM replace AM, the economic problem would be solved to some extent. The present FM band will accommodate several thousand stations. The standard broadcast band is approaching capacity.

• **Making Room**—More standard stations can be crowded in by sacrificing engineering standards, however, and more room may be provided by permitting locals to encroach on present clear channels. This is in the cards, it was indicated when the FCC denied a petition of the Clear Channel Broadcasting Service that the commission stop authorizing daytime licenses on clear channels to secondary stations.

From the standpoint of ownership, there is no present barrier to concentration of standard stations. FCC has moved to forestall it in FM and television, however, by limiting the number of stations in the hands of a single licensee to six and five respectively.

• **Congress Will Act**—New radio legislation in the next Congress has been promised by both House and Senate Republican leaders. Sen. Charles W. Tobey and Rep. Joseph W. Martin, Jr., have promised a "thorough" investigation of the FCC, looking toward new legislation "defining" its powers.

Whether those powers would include determination of how many stations a community can support remains to be seen. Some broadcasters have appealed to the Republicans for protection against too much competition. Others welcome it, declaring that, in the final analysis, the station best serving its public is the one that will survive.

New Source of Iron Powder

Carbonate slate, formerly a waste product, will be converted into an important metallurgical material. State of Minnesota finances plant in unique cooperative agreement.

Up in the famous iron ore country of northern Minnesota a unique cooperative program is under way which may yield:

(1) A new source of iron powder for powder metallurgy.

(2) A pattern for future development of natural resources.

• **State Finances Plant**—An iron conversion plant is being built by the state of Minnesota at a cost of \$650,000. The funds came from the tax on mining iron ore. They are administered by the state commissioner of iron range resources and rehabilitation. The plant may be in operation by next spring.

Continental Machines, Inc., a Minneapolis machine-tool manufacturing concern, has contracted to operate the plant. It is designed to convert iron carbonate slate, heretofore a waste product, to pure iron powder. A new division—Iron, Inc.—has been organized to do the research, run the plant, and market the product.

• **To Share Patent**—Continental has taken out the patent on the Firth process, developed by the late Charles V. Firth at the mines experiment station of the University of Minnesota. The company will use the plant to demonstrate the commercial feasibility of the process. This privilege was granted in return for the company's contribution in the development and exploitation of the project. Continental will make available to all users in the state the Firth process and any improvements on it

that are developed in the pilot plant.

A royalty of 1¢ a lb. on the plant output will be paid to the state. This amount will be credited to Continental if it later purchases the plant.

Under the arrangement with the state, 50% of the plant's output must be made available to industrial users within the state boundaries. Continental expects non-Minnesota industrial users to absorb the other half.

• **Chemical Process**—The production method is a continuous chemical process, susceptible to close control. The iron is dissolved out of the ore by dilute sulphuric acid, precipitated as crystals of iron sulphate, and preferentially roasted to iron oxide of high purity. This product is then reduced to iron powder of controlled physical characteristics with a purity of over 99%.

Ways are being sought to reduce the pressure and heat-treating temperature needed. Pressures of as much as 50 tons p.s.i. and sintering temperatures of 2,000 F are used currently. The powder is pressed in dies and the resulting metal pieces are run through heat-treating furnaces on an assembly line basis.

Fifty tons of carbonate slate are to be used daily in producing five tons of iron powder. Carbonate slate overlies the iron ore formation and is present in great abundance on the Mesabi range, is uniform in composition and easily accessible.

• **New Uses Developed**—Importance of iron powder to industry is growing



John R. Daesen (above), head of the cooperative iron-powder operation, believes that production results will amply justify the effort to get government and industrial gears to mesh.

steadily as uses for it are developed (BW—Oct. 28 '44, p. 74). Current U. S. consumption for powder metallurgy is estimated at only six tons a day. Principal users are in the automotive field, where it is used in the production of timing gears and oil pump gears. It is also used in friction surfaces, such as brakes and clutches.

• **Competitive Market**—Iron powder from domestic sources is priced at 13¢ to 15¢ a pound, with some reportedly as high as 40¢ for special applications such as magnetic cores. Powder metallurgists recently have been receiving imports of inexpensive Swedish powder at a cost of 7¢ to 10¢ a pound.

Iron powder from the Minnesota pilot plant will have to compete with both domestic and import suppliers. Sponsors assert that the Minnesota laboratory project has already proved it can produce iron powder second to none in adaptability to powder metallurgy. However, they admit that the process has not yet been operated on a scale large enough to determine accurately production rates and operating costs.

John R. Daesen, president of the new Continental division, is confident that the process can yield a pure product at a cost sufficiently low to result in the greatly expanded use of iron powder in industry.

• **Cooperation**—Over and above the industrial importance of the project, Daesen is proud of its significance as an outstanding example of cooperation by government and industry to further the development of natural resources. The result, he says, is the creation of new resources and a new industry.



In the wilds of Minnesota, the state is building a plant (above) where a private company, Continental Machines, will make iron powder by a new process.

Dilemma in Ships

Squeezed by rising costs and fixed rates, operators of coastwise and intercoastal ships decline even to seek new traffic.

Although the American merchant marine is now swollen out of all proportion to its prewar size and although there is a severe shortage in railway freight cars, the American coastwise and intercoastal fleet has shrunk to about half its prewar tonnage. While the tanker situation is still in fairly good shape, there is virtually no private common carrier operation any longer on the coastwise and intercoastal runs. Just about all of the traffic is operated by, or for the account of, the Maritime Commission.

The government today is operating only one-fourth the number of vessels that were on the runs in 1939, and the total cargo handled amounts to only about one-tenth of what was then being carried. Just why these things are so is explained in an article by Geraldine Cush in the November issue of *Domestic Commerce*, monthly publication of the Dept. of Commerce.

• **Diversion Hurt**—The diversion of ships to overseas traffic during the war almost finished the industry. Cargoes that had previously been shipped by water were forced to use competitive means of transportation. The important commodities carried in this trade, in addition to petroleum products, are lumber, wood pulp, sugar, iron and steel, paper, sulphur and chemicals, and coal and coke.

The reason private ship operators are unwilling to go after such traffic now is that freight rates have practically stood still at prewar levels while ships' operating costs have gone up sharply. Rail freight rates naturally set a ceiling on rates of competitive water routes, and it is alleged by many water men that rates on water-competitive rail routes are frequently used as loss-leaders by the railroads.

• **Squeeze on Profits**—The ocean-shipping industry has some superficial indexes of good financial condition. Available data for eleven companies show a net worth of \$72,307,000 today as against \$34,405,000 in 1939. Also, the Merchant Ship Sales Act permits operators to replace obsolescent equipment with new ships at relatively low prices. But the cost-price squeeze has become such a formidable barrier that many operators have been forced to apply for foreign licenses—in the foreign field rates have been boosted sharply over prewar levels.

Thus only the government has been

in a position to go on absorbing the operating loss. However, its authority to run these routes will expire at the end of the year unless extended by the Interstate Commerce Commission.

• **Relief Sought**—In order to get the water carriers some permanent relief, the Maritime Commission and the War Shipping Administration appealed to the ICC last March to investigate the existing rail freight rates and practices which are competitive with domestic water carriers. At the ICC's invitation, they filed statements in which they presented specific charges against the rails (BW—Jun. 29 '46, p. 22).

But the investigation of the water carriers' case was put aside while ICC considered the rails' request for a general 25% upward revision in their rates.

On July 1, under a general ICC authorization, both rail and water carriers raised their rates by 6%. In addition, the ICC subsequently agreed to reopen the question of the majority of water-competitive railway rates.

• **Solutions**—The water carriers feel that, if they are ever going to get any further rate relief, now is the time. Reason: the present extremely tight boxcar shortage.

They are also aware that they will have to do something about costs. Loading and unloading costs alone in the intercoastal trade are about \$5 a ton, while revenue in many cases does not come to more than \$12 a ton. Reduction of time spent in port, faster ships, and improved methods of cargo handling (such as palletization) should help.

But with the trade in its current stagnant state, rate relief will have to precede cost reduction.

Young Follows Up

C.&O. head underscores withdrawal of his roads from rail association by attacking carriers' rate-making system.

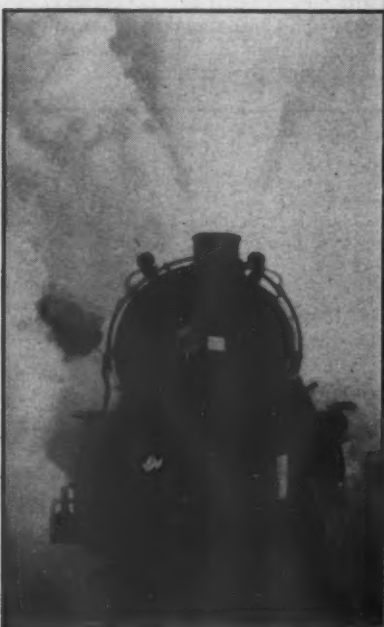
Robert R. Young, the holy terror of the railroad industry, has been busier than ever for the last couple of weeks making things hot for his fellow rail executives.

• **Action and Reaction**—Young's latest project is a plan for revising the conference method of rate making, now under attack by the Dept. of Justice Antitrust Division. Young says that antitrust attorneys have gone over his scheme and approved it.

Orthodox railroad men received Young's proposition with a lack of warmth that practically shows up on the weather maps. In the first place, they say, there is no essential difference between the rate conferences that Young pictures and the ones now held. Second, they think the principle of joint action in rate making is so important to modern railroading that the industry ought to hold a united front against all attacks on its legality.

• **Proposals**—On paper, Young's proposals do not differ greatly from the way the present rate conference system is supposed to work. Their main features are:

- (1) Special emphasis on public hearings;
- (2) Provisions for independent action by member roads; and



Study in rates and increasing operating costs: coastal ships and railroads.

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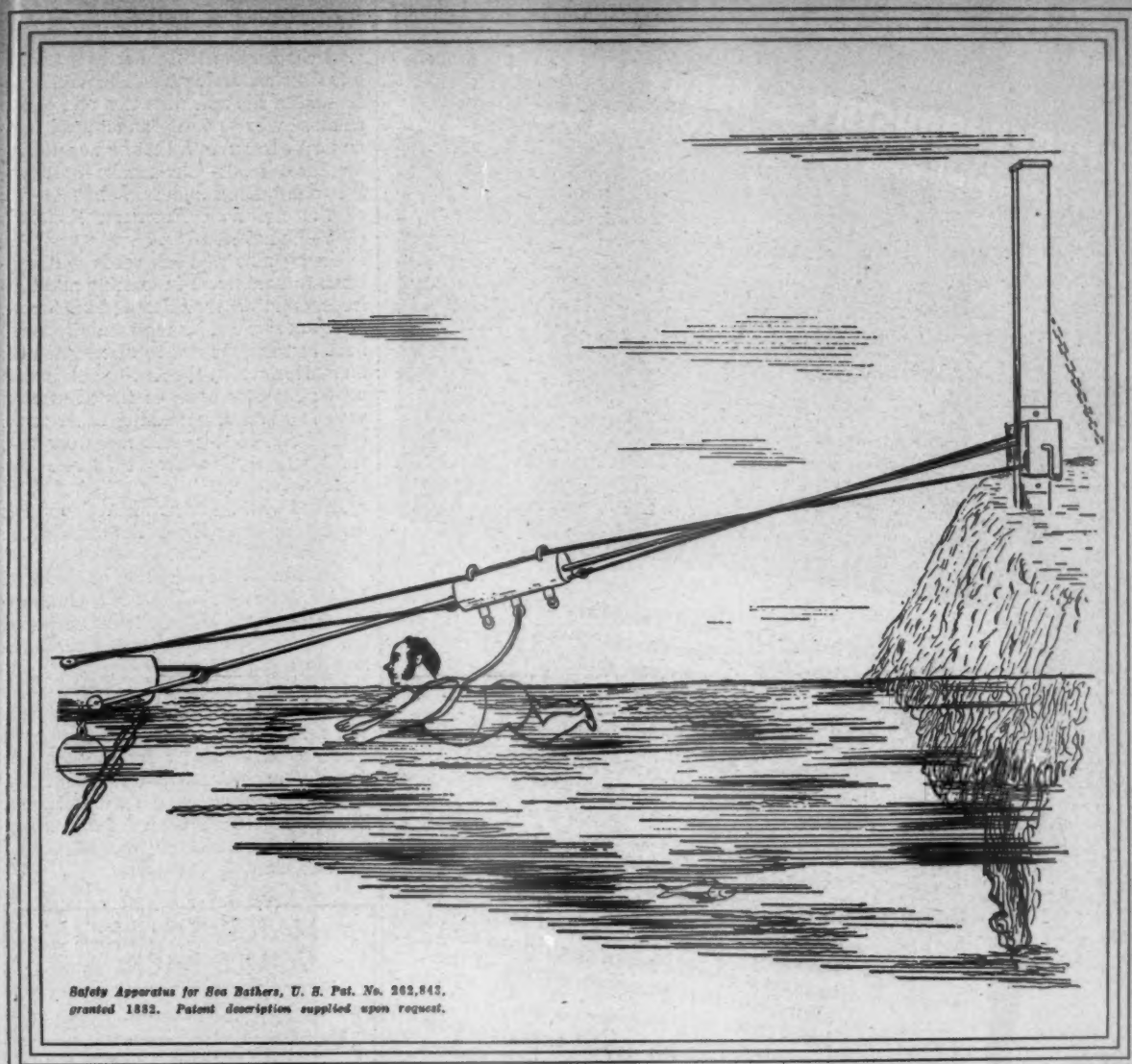
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Safety Apparatus for Sea Bathers, U. S. Pat. No. 262,843,
granted 1882. Patent description supplied upon request.

Between the debbil and the deep blue sea

If you're scared of *dat ol' debbil sea*, but still want to flex your muscles in the briny stuff, take a look at this dandy contraption. It's got ropes, and wheels, and windlasses, and levers—

Personally, we'd just as soon skip it—or keep right on wading in the kiddies' pool.

Man tends to shy away from complicated gadgetry, no matter how plausible it sounds. For common sense shows that a direct approach to a problem is often most logical.

That would explain the wide acceptance of a simple and speedy idea known as the Comptometer Check-and-Payroll Plan. For this unique payroll system sidesteps elaborate (but needless) processes, and does its job with accuracy and economy.

If your office is engulfed in a sea of figures, you'll like the way this system shuns the headaches of involved book-keeping, copying and endless filing. It gives permanent records from the first posting.

Whether your payroll is large or small, your nearest Comptometer Company representative can tell you why this plan works both faster and cheaper. The Comptometer, made only by Felt & Tarrant Manufacturing Co., is sold exclusively by the Comptometer Company, 1733 North Paulina St., Chicago 22, Ill.

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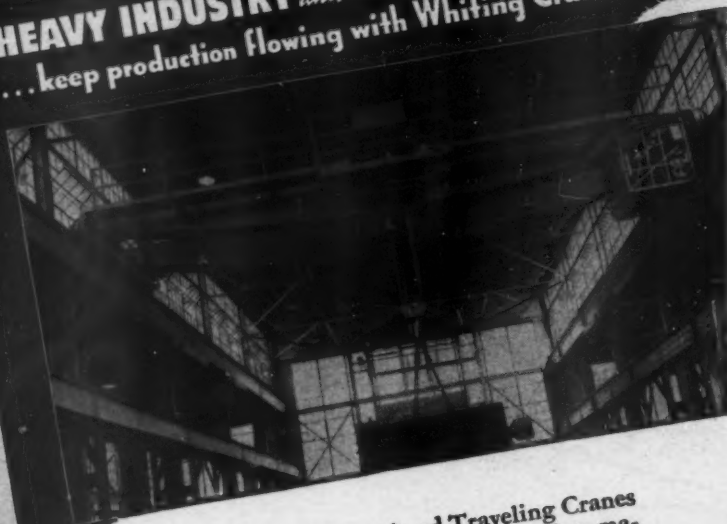
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Whiting Overhead Traveling Cranes are designed to handle incoming materials, work in process, and finished products with speed, safety, and economy... so that a job is ready for the workman when he is ready for the job. Such cranes increase productivity, reduce idle time, and improve working conditions.

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(3) Restrictions on the pressure that can be brought on a road to make its rates conform to the general pattern.

• **Instructed Delegates**—The chilly reception of his new plan was one of the reasons why Young announced dramatically last month that he was pulling his three roads—Chesapeake & Ohio, Pere Marquette, and Nickel Plate—out of the Assn. of American Railroads (BW—Oct. 19'46, p18).

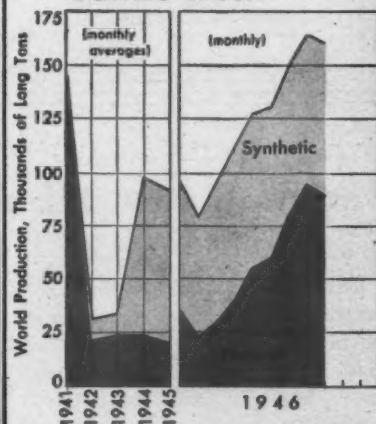
Young now says his roads will continue to participate in existing rate conferences after they leave the A.A.R. next January. But his representatives will have instructions not to discuss or vote on matters which the Antitrust Division might consider none of their business, such as questions affecting other roads exclusively. If this does not work out, the Young roads will quit the rate conferences entirely.

• **Tail Twisting**—Meanwhile, Young is neglecting no opportunities to twist the industry's tail.

On Monday of last week, he appeared before Interstate Commerce Commission examiners to attack the proposed sale of the Pullman sleeping car business to a railroad pool.

On Tuesday, he held a special press conference to announce the award of a \$26 million contract for 284 new cars. The successful bidder for the contract was Pullman Standard Car Mfg. Co., sister corporation of the Pullman Co. Young has often blistered the Pullman Co. in his attacks on the quality of present sleeping car service.

NATURAL RUBBER COMES BACK



Data: London Rubber Secretariat.

© BUSINESS WEEK

When the International Rubber Study Group met at The Hague this week, one important trend considered was the rapid growth in natural rubber output. To U. S. delegates, that trend emphasized the need for a clear-cut domestic rubber policy.

"Products fashioned from growing trees to serve essential industries"



A great deal . . . in the final analysis.

The Rock Products industry has standardized on St. Regis packing machines to fill Multiwall paper bags because the system is efficient and economical.

These manufacturers of cement, lime, plaster and mortar cement rely on heavy-duty Multiwall paper bags to "deliver the goods" . . . safely and without waste.

Cement is used in practically every type of home. Durable, attractive homes are built of stucco and cement blocks . . . and built rapidly. Mortars are essential to the building of brick and stone structures. Most houses . . . stucco, brick, or frame . . . are supported on cement foundations.

This is another example of the importance of St. Regis products to American industry. The essentiality of Multiwall bags in the cement industry . . . as well as for packaging agricultural and chemical products . . . is closely paralleled by that of St. Regis lightweight printing papers in the magazine and catalog fields. In the refrigerator industry leading manufacturers use Panelyte, the St. Regis paper base laminated plastic, molded inner door frames.

Starting with its own timber land, St. Regis is producing a wide range of wood cellulose products essential to 21 basic American industries. Demand has necessitated broad expansion in all divisions of the company.

ST. REGIS PAPER *Company*

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St. Regis Products are sold by St. Regis Sales Corporations:
Offices in NEW YORK • CHICAGO • BALTIMORE • SAN FRANCISCO and 20 other industrial centers
IN CANADA: St. Regis Paper Co. (Can.) Ltd., Montreal

PRODUCTS: St. Regis "Tacoma" bleached and unbleached sulphate pulp
. . . Multiwall Bags and Bag-filling Machines . . . Printing, Publication and
Specialty Papers . . . Panelyte — The St. Regis Structural Laminated Plastic.

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"NEWNESS" IN LOCOMOTIVES

MUST BE MORE THAN SKIN DEEP

The new locomotives needed for tomorrow's advances in rail transportation can't be produced by draping a streamlined shell over an old model. *This* newness must be more than skin deep.

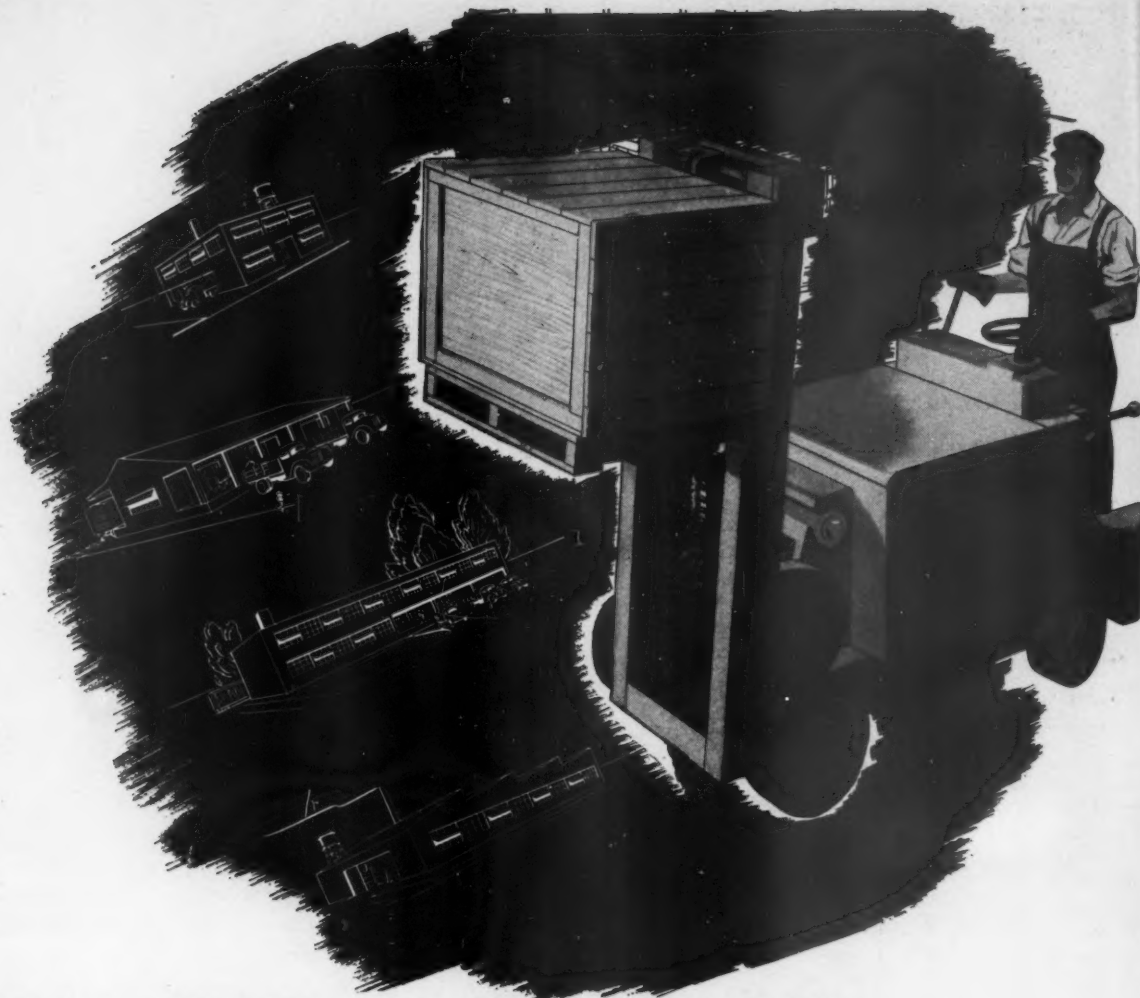
Here are some Baldwin-built examples of true newness . . . all for the century-old Pennsylvania Railroad. A diesel-electric that packs more power in a single cab than any previous design. A reciprocating steam locomotive that has broken half a dozen records on test and on the road. A modern electric locomotive, latest in a chain that Baldwin helped to pioneer. A steam turbine-driven unit, first of its type to be built in the United States.

The combination of old experience and young ideas that produced these new locomotives also produces Baldwin hydraulic presses and testing machines, Baldwin hydraulic turbines and diesel engines, Baldwin ship propellers and intricate forgings and castings.

The Baldwin Locomotive Works, Philadelphia 42, Pa., U.S.A. Eddystone Division; Standard Steel Works Division; The Whitcomb Locomotive Co.; The Pelton Water Wheel Co.; Baldwin Locomotive Works of Canada, Ltd.; The Midvale Co.



BALDWIN



SMALL BUSINESS, TOO, CAN PROFIT FROM

Electric INDUSTRIAL TRUCKS



POSSIBLY you've supposed that your plant or warehouse lacks the work volume necessary to justify the use of an electric industrial truck. You may, then, be astonished to find, on analysis, that not only have you more than enough but that you've already paid for several trucks in needless handling expense.

ACTUALLY, a battery-powered truck can make such huge savings in comparison with manual handling that it need not be busy continuously to show a profit. In many instances, a truck having no more than an hour's work per day can pay for itself in less than a year—or in about a month and a half if kept busy all day.

TOO, there is the great versatility of this self-loading truck—its ability to per-

form moving and tying operations many of which are beyond the limits of manual handling. For instance, high-stacking to save floor space, manipulating heavy and cumbersome machine parts, die-changing, charging hot furnaces, and countless other examples.

OTHERS in small business have found that an electric industrial truck demonstrates its wide usefulness and rock-bottom operating cost so quickly that the initial "one hour per day" soon grows, as does the production—and profits—of its owner.

YOU will find many suggestions for substantial savings in the **MATERIAL HANDLING HANDBOOK** and in **UNIT LOADS**—free on request.

THE ELECTRIC INDUSTRIAL TRUCK ASSOCIATION

208 South La Salle Street, Chicago 4, Illinois

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Years ago, Larry Ristow, former Greyhound general traffic manager, told bus operators that someday they'd have to explain their rate schedules. That day has come and Ristow, now head of National Bus Traffic Assn., will speak for the industry.

their prewar levels. The competitive picture would be more clear.

Some in the industry expect the investigation to consume as much as two years. This will depend on the amount of data ICC requires.

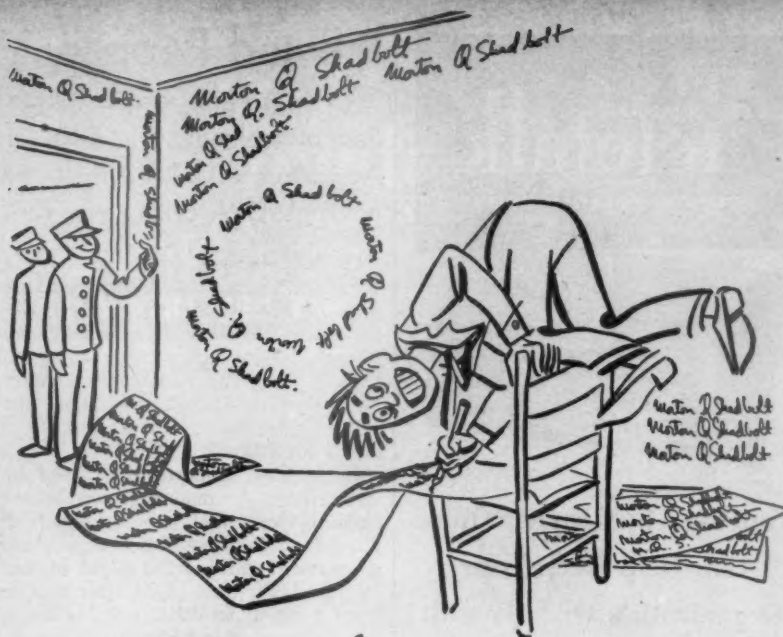
• **Auto Competition**—Bus operators have changed their ideas somewhat about railroad and airline competition. Now the bus lines look on the private automobile as their real competitor. They credit the shortage of new cars with what they hope ICC will regard as presently inflated bus traffic. The lines figure that this will taper off.

PACKARD GOES ALOFT

Capitalizing on its experience in producing the intricate Rolls-Royce engine during the war, Packard Motor Car Co. announced this week that it is aggressively entering the aircraft engine field.

The company has under development a "different and more efficient type of turbo-jet engine for airplanes and missiles." Work is being done, under an agreement with the U. S. Army Air Forces Air Material Command, in the \$10 million developmental facilities which Packard operates at Toledo and a \$1 million flight testing setup at Willow Run. A new \$3.5 million turbo-jet laboratory is scheduled for completion at Toledo next spring.

Supervisor of the program is Arthur Nutt, Packard's director of aircraft engineering. Nearly 600 engineers are working on the project.



any Graphomania in your family?

No kidding. There's a disease called Graphomania: "A morbid desire or mania for writing." Sometimes, when we see the exhausted executive who has just signed a hundred or more checks, we wonder if it isn't an occupational disease of modern business.

The cure? Simple: a Todd Protectograph Check Signer. It not only signs checks automatically, but gives them far better protection, too. Forging a hand-written signature, as every check criminal

realizes, is easy. But the scientifically designed, 4-color facsimile signature produced by a Todd Check Signer stops him—stops him cold. And the dual lock system and non-resettable counter protect the machine from unauthorized use.

A Todd Check Signer relieves you of the fatigue and waste effort of hand-signing. Why not send for further information? No obligation on your part, of course.

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"We have been using our Todd Check Signer for over a year and find it one of the most valuable pieces of equipment in the office." *Lullabye Furniture Corporation, Stevens Point, Wis.*

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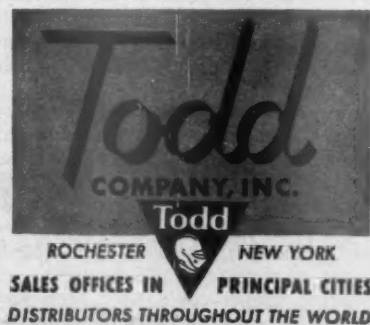
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BW 11-20





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"Teletalk" makes a number of models, making it possible to select a type fitting your exact requirements so efficiently that you would think it had been engineered for your personal needs.

"Teletalk" is a quality product and will give you top performance.

Your Graybar distributor is as close as your telephone—call him. He will give you the name of your nearest dealer along with the help his wide experience makes possible.

GRAYBAR ELECTRIC COMPANY, INC.
Graybar Building, New York City



Inflated Pepper

Merchants accuse Uncle Sam of profiteering as Dep. of Agriculture asks 75¢ a lb. for its holdings. OPA ceiling was 15¢.

A price increase of 400%—from a ceiling of 15¢ a lb. to a current asking price of 75¢—has hit the pepper trade since Aug. 26, when price controls were relaxed. Many spice merchants, no happier about this remarkable inflation than the consumers, insist that the U. S. government should shoulder a lot of the blame.

• **Uncle Sam: Importer**—Distressed by statements of reporting warehouses early this year that almost no pepper was left in the domestic stockpile, the government entered the world market to buy 2,000 tons of Malabar pepper from India at an estimated 23¢-25¢ a lb. The government planned to prorate this amount among the spice trade at 15¢ a lb., then the wholesale ceiling price.

On October 26, when the steamer Naimbank arrived in New York with the first government shipment, OPA ceilings on pepper were a thing of the past, and what little pepper remained in warehouses here was going at prices ranging from 40¢ to 87½¢. The Dept. of Agriculture pondered what to do with its purchase.

• **Bombshell**—Finally it decided to sell out at 75¢ a lb. Pepperless spice traders received notification that certain amounts had been set aside for them. The department's letter, dated Nov. 15, reached the New York trade on Monday, Nov. 18, requesting an answer by five o'clock that afternoon. Pepper dealers became hotter than their product. Hastily they telegraphed their customers; they found almost none willing to buy at the government price.

The American Spice Trade Assn. met and denounced the move. Many in the trade sent telegrams to the Dept. of Agriculture rejecting the 75¢ price, offering 50¢. Up to this week they had received no reply.

• **From the Far East**—In prewar years the U. S. normally used about 15,000 tons of black and white pepper annually, supplied mainly from the Dutch East Indies.

With the war came an OPA ceiling of 63¢ a lb., which was later dropped to 61¢. Only a trickle of pepper came out of the warehouses until 1944, when the OPA ceiling was advanced to 10¢. Immediately, about 8,000 tons were sold to grinders. It was a sizable splash in an even more sizable bucket.

More pepper could have been had during the war from India, but domestic

OPA prices made it unprofitable to import. In effect, it was illegal to import peppers, since government restrictions expressly prohibited private concerns from buying on the world market at prices above the OPA ceiling. Early in 1946, OPA raised its figure to 15¢, but by that time the Indian market had climbed to 22¢. It was at this point that the government entered the India pepper market to make its purchase.

• **Substitute**—During the shortage period, synthetic pepper made its appearance. Basic ingredients ranged from buckwheat to cottonseed hulls and ground pecan shells. These were mixed with oil of pepper, cayenne pepper, and sometimes salt. In most cases the product complied with the pure food laws which required that the contents be specified on the container.

Dealers in real pepper are not too worried about the encroachment on their market. When genuine black pepper is again plentiful, they feel, it will displace the synthetic almost entirely.

• **A Year Away**—Shipments of pepper which has found its way to Singapore from Java and Sumatra are already arriving in the U. S., and Indian pepper shipments are expected soon. Segments of the spice trade look for normalcy in the pepper market in about a year. Meanwhile, they wish Uncle Sam would be content with a 100% profit on his spice holdings.



FOR WATERFRONT SERVICE

To help unload ships at New York docks, two portable conveyors—all-aluminum except for motors and belts—were recently put to work by the Brooklyn Waterfront Terminal Corp. Weather-resistant and light enough for two men to handle, the units, made by Carsten & Iversen, Brooklyn, can carry bags weighing up to 250 lb. Aluminum Co. of America reports that experiments are also under way with aluminum chutes to move goods from warehouses.

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INTERCOMMUNICATION SYSTEMS



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—or is the contact with your organization orderly?

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"Teletalk" is a quality product that provides natural tone—without buzz or interference. It is available in a number of models so as to fit the needs of large or small businesses.

Call your nearest "Teletalk" dealer or distributor listed in the intercommunication section of your phone book. He will aid you with worthwhile suggestions on the use of this intercommunication system. If

you should not find him listed in your particular city, write direct to Webster Electric Company, Racine, Wisconsin.

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ONE OF 800

By stapling pads of insulation for aircraft, refrigerator cars, etc., an insulation manufacturer saved the original cost of 3 Bostitch

machines (\$645.00) twice a month. From other Bostitch users come equally enthusiastic reports: a furniture manufacturer packs coffee tables for shipment 3 times faster; a toy-maker saves 70% time assembling display boxes; a builder, using Bostitch self-feeding hammers, applies felt on side walls at 70% less cost.

If you have any combination of metal, plastics, wood, paper, fabric or leather to fasten, you may find that one of the many versatile

Bostitch machines can do it better and faster with wire.

250 fieldmen in 91 key cities, backed up by skilled research engineers, offer you the proved benefits of 50 years' Bostitch experience in solving fastening problems.

New Broadside 188 shows representative models of the 800 Bostitch stitchers, staplers, tackers, hammers ... the world's most complete line. Write for your copy.



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Please send Broadside 188 on Bostitch time- and money-saving machines to:

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Drive to Up Rents

Last stronghold of price control under heavy fire. Annual landlords' convention seeks 15% boost, easing of other curbs.

Ever since the start of the war, rent control has been the darling of OPA's heart, the one area in which it could say that it had really held the line. Now, rent control is coming under the same sort of concentrated fire that finally was able to smash all the other price controls.

• **Apartment Owners Meet**—The drive to knock a hole in rent ceilings gathered steam last week at the annual convention of the National Apartment Owners Assn. at Oklahoma City. Delegates adopted formal resolutions calling for an immediate 15% boost in ceilings, and complete elimination of all controls by Congress at "a definite and early date."

The association is planning to raise a \$250,000 war chest to help put over its campaign. A committee of five members will shortly go to Washington to push the decontrol idea with Congress and Administration officials.

In addition to the 15% hike, landlords will beat the drum for abolition of all ceilings on new construction, units rented for the first time, and units on which the landlord will give the tenant a lease at a rent 15% over the present level.

• **Incentive Needed**—The argument will be the same that many other industries



Advocate of drastic action at the Oklahoma City convention, Mrs. Frank Morris, president of Landlords, Inc., Texas, told of "landlord strikes" sweeping her state, urged quick death for OPA rent controls.



Why should a city bus drag a useless half-ton weight?

As a strap-hanger, you've swung backward as the bus started; forward as it stopped. But did you ever think how every ounce of the *bus's* weight is fighting those "every other corner" stops and starts, too?

That is why the automotive engineers who worry about city bus design were so receptive when Alcoa asked, "Why should a bus drag a useless 1000-pound weight?" It meant less wear on tires, less gas and oil, longer bus life if that 1000-pound enemy of every stop and start could be eliminated.

And that is just what has happened. Best of all, automotive engineers found that they could elim-

inate that weight by using Alcoa Aluminum sheets and plates, structural members and castings—with no compromise in the safety of the passengers. They found *both* safety and lightness in thick sheets and massive sections of Alcoa Aluminum Alloys.

Next time a modern bus stops at your hail, remember that its operating and maintenance economy help keep down the fare you drop in the aluminum fare box . . . and that Alcoa Aluminum guards your safety, too! ALUMINUM COMPANY OF AMERICA, 2104 Gulf Building, Pittsburgh 19, Pa. Sales offices in principal cities.

ALCOA FIRST IN ALUMINUM





**THE MAGIC WAND
OF MODERN
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Arc welding has proved itself a time-saving, cost-cutting, product-improving process for so many manufacturers that no company today can afford to ignore its possibilities. Arc welded products range from huge cranes, diesel engines, and machine tools to lawn mowers, metal furniture, and children's toys. The metals used in such lighter, stronger, less costly arc welded constructions may be mild steel, high carbon steel, stainless steel, steel alloys, cast iron, bronze, or aluminum. The elements welded may be accurately flame-cut shapes of any size or such shapes in combinations with stampings, castings, or forgings. The raw stock may range from heavy armor

plate to light gauge aluminum sheet.

Any organization applying welding as a production tool can save much time and avoid costly mistakes by relying on NCG services and products. NCG welding experts can counsel wisely

and without bias on all the technical aspects of *your* welding problems... for NCG can supply either gas or arc welding equipment as required. In the complete NCG line that spans all welding needs are such famous products as Hollup Arc Welders, Sureweld Electrodes, National Flame Cutting Machines, Rego and Torchweld Oxy-Acetylene Cutting and Welding Equipment. 73 NCG plants from coast to coast, hundreds of NCG Distributors, and more than 700 NCG warehouse stocks are ready to serve you.

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HE QUALIFIES

Thomas R. Mullen (above), new president of American Institute of Steel Construction, looks for a steadily rising output of structural steel to meet increasing demand. Head of Lehigh Structural Steel Co., Lehigh Construction Co., and Utility Service Co., he has been an institute director for seven years. His forecast: a two-year demand for 5,000,000 tons of fabricated structural steel—twice the tonnage used in 1938-1939. There's a big if: if there are no work stoppages.

used convincingly when they fought to get their ceilings lifted: "To get more housing we must make it profitable and attractive to build and own rental housing."

The association firmly denied that it had anything to do with the national strike of landlords that has been reported in recent weeks. No hint of any such action appeared in any of its resolutions, but a delegate from Texas reported that 10,000 apartments there had been withdrawn from the rental market. And in discussions on the floor delegates mentioned estimates that 300,000 to 750,000 units throughout the country had been locked up by landlords who were holding out for higher ceilings.

• **Picketed by Vets**—Two pickets from the American Veterans Committee of Norman, Okla., patrolled the vicinity of the Skirvin Hotel convention headquarters while meetings were in progress. They carried banners charging: "N.A.O.A. Brags About Locking Out Veterans" and "Nothing Too Good for the Veterans Except a Place to Live; 750,000 Apartments Kept Vacant by N.A.O.A."



"Sure you could throw me over...
but how'd I get back?"

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Write for your free copy of our fact book, "Your Fence", which illustrates and describes the 14 types of U-S-S Cyclone Fence available to meet your needs. Or, if you prefer, our factory-trained engineers will be glad to assist you with your plans and specifications. There's no obligation, of course.

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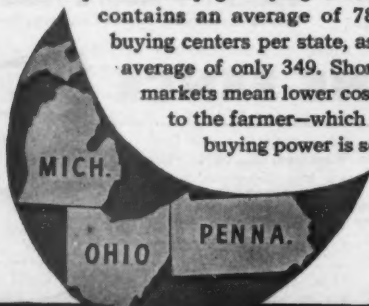


UNITED STATES STEEL



... a juicy slice of MARKET

Put your finger down anywhere on the map of *The Golden Crescent*—the states of Michigan, Ohio and Pennsylvania—and you'll touch either a farm or a marketing center. In this rich agricultural region, farmers have but a short haul of their products to market . . . and a convenient trip when they go buying. *The Golden Crescent* contains an average of 781 marketing and buying centers per state, as against the U. S. average of only 349. Short hauls to nearby markets mean lower costs and more profit to the farmer—which is one reason why buying power is so high in this area.



The three million farm folks in this area earn their living on the land, but in their taste for manufactured, advertised products they're virtually urban. Here is a huge prosperous market . . . concentrated in a compact area. This means economical distribution. And economical sales, since you can reach two-thirds of these ready-to-buy, able-to-buy farm folks with only three magazines—*MICHIGAN FARMER*, *OHIO FARMER* and *PENNSYLVANIA FARMER*.

You'll be a jump ahead in the coming struggle for sales by taking advantage of the opportunities in *The Golden Crescent* NOW!

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BUSINESS WEEK REPORTS TO EXECUTIVES ON—



CORPORATE PROFITS —POSTWAR PATTERN



In the first full year of postwar business, U. S. corporations as a whole are hitting a new earnings peak. A lower tax bill and record peacetime output have been the mainsprings for a sharp advance during 1946. Yet within this aggregate some of the country's key industries report a melancholy year profitwise.

Perhaps in no other year has business been faced with such a variety of circumstances, both favorable and adverse, that have left their mark on earnings. Strikes, reconversion problems, and a changing pattern of costs and prices have forced profits in some cases far below the 1945 rate. In more instances, however, profits have moved upward. High-level output, lower unit costs, lower taxes, and record sales were mainly responsible.

But current earnings must be viewed in perspective—against the background of tremendous change and growth in the size, operation, and organization of the U. S. economy. In such a setting the total fails to look quite so imposing. For, after adding up the tax bill, corporate profits now claim a smaller share of the nation's income than in 1929. Moreover, a part of the increased profit flow of this year already had been generated with wartime expansion of investment and output. The excess-profits tax previously siphoned off these additional earnings. Only now are they beginning to flow to ownership.

Growth of profits since the late 20's has varied enormously among industries. Many heavy industries have failed to push total earnings above the 1929 level, and profit ratios have declined. But in still other lines—chiefly nondurables—profits have advanced in tune with expansion of investment. The forces that make for such diversity are complex. And their nature is as much social and political as it is economic.

In this report, Business Week examines these longer-run profit developments and in their light offers an assessment of current and prospective earnings.



CORPORATE PROFITS—POSTWAR PATTERN

Will the owners' slice of the income pie become smaller?

Corporate profits in 1946 may reach a grand total of \$12 billion—the highest in history. (Former peak: 1943, with \$9.95 billion; long remembered benchmark: 1929, with \$8.34 billion.) And anyone desiring to underline the bright side can point to an earnings rate in the final quarter of 1946 which is substantially above the average for the year.

Elimination of the excess-profits tax has contributed greatly to this happy condition. For profits before taxes are likely to fall somewhat short of the \$20.9 billion of 1945. But here again the year-end story makes better reading. If output and sales continue to move ahead as in recent months, profits before taxes for the current quarter should considerably exceed the 1945 rate and may even approach the \$24 billion pace of 1944.

But these totals hide some of the most important profit news of the year. For the new record is the end result of widely divergent movements among many of the lines that make up the total. Business has run the gamut from controls to no controls, lengthy strikes to no strikes, extensive reconversion to a simple step-up in existing production, heavy excess-profit taxes to no such taxes. Under such circumstances great variations in earnings were bound to be the rule and not the exception.

Take a look at the box on the opposite page which shows the nine-month change for some firms in major industry groups, as contrasted with 1945. Earnings in trade, the amusement world, most nondurable manufactures, and (after a slow start) iron and steel companies look very good indeed.

Yet, examine the other end of the scale. In a year of record peacetime production, income, and employment, the railroads as a group have made almost no profit on operations; not until midyear did automobile producers start to make anything, and even then a lot of them continued in the red. And for six to nine months certain "feast or famine" lines have lived on a very restricted earnings diet. Only now are they again building up fat against the future.

Moreover, no survey of profits can be complete without at least a passing nod at the wide variations in the profits of different companies within the same general line. Quaker State Oil doubles its net income (on basis of first three quarters); Texas Co. raises its earnings 30%; and Standard of California has an increase of 7%. Such examples are legion, and they bear added testimony to the complexity of the current profit picture.

Why A Wide Range?

What developments have been responsible for this prosperity in which some share and some don't? They are many, and the combination has varied from industry to industry. Yet some understanding of the effect of each is important, particularly if one is to assess inde-

pendently the stock market's collective judgment that current earnings will not be maintained.

The principal factors affecting earnings this year can be lined up under three heads:

- (1) Changes affecting the volume of sales.
- (2) Reduction in the size of the tax bill.
- (3) Shifts in cost-price relationships.

A number of industries have enjoyed higher sales (box, page 39). In itself, this has been a factor increasing earnings. Others report a decline from wartime peaks, but with output and sales remaining the highest for any peacetime year. In general, all such industries show a record profit. But a third group has suffered a considerable drop in output and sales, largely because of strikes, reconversion problems, or materials shortages. These are the lines that are having a thin time profitwise.

On the Tax Side

On the tax side, all industries this year are paying a smaller tax bill by virtue of the elimination of the excess-profits tax. And some lines are further reducing their effective tax rate for 1946 through receipt of substantial carry-back credits from taxes paid on excess profits in 1944 and 1945. But here again experience varies widely—as between both industries and firms. A number of industries paid tremendous excess-profits taxes during the war; others paid but modest sums. Elimination of the tax affects each accordingly. An idea of the importance of this tax curtailment to the earnings of specific industries is set forth in the summary of profits by industries at the end of this article.

No development this year is so complex and varied as the change in cost-price relationships. Costs everywhere have gone up. And the underlying cause is a higher wage rate. But higher wage rates mean one thing to coal producers, whose wage bill runs to more than 60% of their sales revenue. They mean quite another thing to cigarette manufacturers, whose wage cost probably takes around 3% of sales revenue.

And although costs have climbed, prices have gone up with them. By now the rise in prices has become general, but for a good part of this year profit statements reflected the fact that some lines were held under a more rigid price lid than others. The more fortunate producers either had the lid raised at an early date or were able to adjust their output so as to concentrate on items with high profit margins.

Finally, producers with a high and stable output have been able to view rising wage rates and lagging prices with greater equanimity than those who have staggered along on a lower production level. There are some cases (the electrical equipment industry appears to be one) where, until the recent decontrol, upward price adjustments authorized by OPA were based upon the belief

that near capacity output soon would be achieved. Low profits in these instances are a measure of the failure to fulfill this basic assumption.

INDUSTRY PATTERNS

Within this welter of change and counterchange, earnings of each industry or firm are the end result of its own peculiar circumstances. But the conjunction of these circumstances has been similar enough among certain industrial groups to form a significant pattern.

Consider first the record earnings in trade. An extraordinary volume of sales, repeal of the excess-profits tax, and rising prices all have contributed to heavy profits in this line. Retail trade in recent months has been running 30% higher (in value terms) than in 1945. Labor costs have advanced even more than such costs rose in most manufacturing industries, but the increase has lagged behind the gain in revenue. Prices are up and merchants have been able, on the whole, to concentrate more effort on higher-priced items carrying higher profit margins. The sum of these developments is to be found in a net income before taxes that is higher this year than last. And if the lower tax rate now prevailing as a result of the elimination of the excess-profits tax is taken into account, the extraordinary profit showing of most trade outlets is not surprising.

There are many manufacturing industries whose experience this year is not unlike that of retail merchants. Textiles, apparel, paper, publishing, and printing—all are examples of higher sales, lower taxes, and increased wage rates that have been more than offset by price advances and cost-cutting that accompanies a record output. None of these lines suffered much from reconversion. Comparatively few were tied up for any length of time while bargaining with labor. All are able to report an increase in profits before taxes and a very substantial advance in profits after taxes.

Chemicals and rubber serve to illustrate a variant of the same basic situation. In their cases sales are down from wartime peaks but are at a peacetime high. And the tax gain is larger than for most other nondurables—indeed, large enough to permit higher wage costs without much of an advance in prices. Profits before taxes are lower, but the net after taxes has moved up sharply.

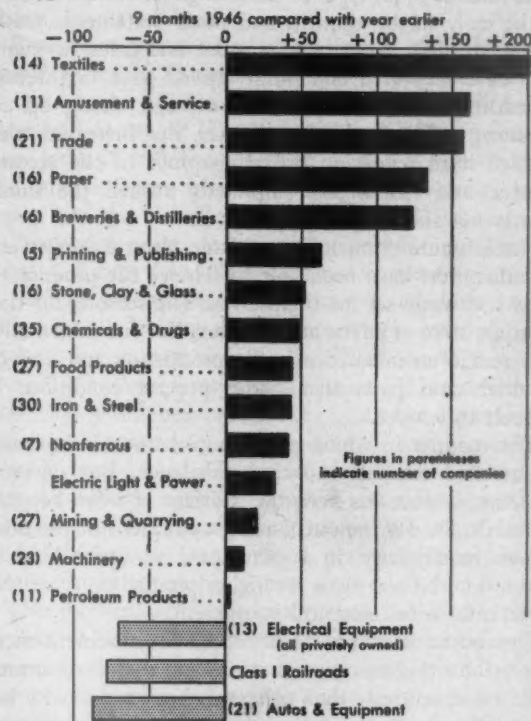
All of the high-profit manufacturing lines thus far cited have turned out nondurables. What about heavy industry—the producers of durables? As a whole they comprise the less fortunate group—plagued by strikes, reconversion pains, and materials shortages. All have benefited greatly from elimination of the excess-profits tax and the use of carry-back tax credits. All have increased wages, and all have advanced prices. Moreover, the rise of prices in many instances has outstripped the advance in wage rates.

These lines now divide into two groups: those that in recent months hit full stride and are making high profits (iron and steel, nonferrous metals); and those that have failed to achieve a satisfactory profit level (automobiles).

The principal reason for the disappointing showing in

Profits—A Picture of Diversity

The fortunes of a number of larger manufacturers, divided into principal industry groups, as well as the fortunes of the rails and utilities, are pictured here. A group of 350 manufacturers, including those in the chart, report nine-month earnings up 12% from 1945, but third-quarter profits stand 70% above the same period a year earlier. And within this total—to mention the extremes—14 textile firms show a nine months' gain of 200%, while 21 auto and auto equipment firms reveal a decline of 86%.



Data: Published company statements; electrical utilities, Business Week estimate. © BUSINESS WEEK

Here is the way some of the principal industry groups line up, as compared with 1945:

Profits Up— higher sales and lower taxes	Profits Up— somewhat lower sales; sharply reduced taxes	Profits Down— much lower sales, but sharply reduced taxes
Construction	Chemicals	Metal mining
Food and beverages	Petroleum & coal products	Electrical equip- ment
Tobacco	Rubber	Aircraft
Textiles	Stone, clay & glass	Automobiles
Apparel	Iron and steel	Auto equipment
Furniture	Nonferrous metals*	Telegraph
Paper	Industrial machin- ery*	Railroads
Printing & publish- ing	Rail equipment	Air Transport**
Leather		
Motion pictures		
Retail trade		
Electric utility		
Phone & radio		

* Little change or small increase in profits.

** Sales revenue up, but profits down.

the earnings of the second group lies in circumstances that have prevented production from attaining the high levels that existing capacity makes possible. Consider the movement in shipments (dollar value) of a number of durable goods:

	Shipments (1941 = 100)			
	First Quarter 1945	First Quarter 1946	Third Quarter 1946	% change 1st qtr. '45 to 3rd qtr. '46
Durable Goods	193	85	119	-38.4
Automobiles	178	52	113	-36.5
Iron and Steel	137	68	107	-21.9
Nonferrous Metals ..	165	95	137	-17.0
Machinery	437	199	261	-40.3
Transportation Equip.	452	108	101	-77.7

Shipments of all types of durable goods fell off sharply in the early winter months and profit statements made gloomy reading. Since then output and sales in many lines have recovered and profit reports have brightened up enormously. U.S. Steel, for example, hung up an operating deficit in the first quarter. But increased sales enabled it to report an operating profit in the second quarter, and still higher shipments pushed the third-quarter net above the wartime level.

Neither auto companies nor large electric equipment manufacturers have been able to achieve the production goals they early set for themselves. The reasons for this unhappy state of affairs are complex. But fundamentally, they rest in an imbalance in the production and flow of materials and parts that under present conditions is difficult to correct.

The manner in which price control was administered contributed markedly to this imbalance. But of even more importance has been the shortage of a few key raw materials. Steel is the outstanding example. But the non-ferrous metals have, in a more quiet way, also held in restraint ambitious plans for higher production schedules—particularly for electrical equipment.

One other development has received prominent mention as affecting earnings of metal and metal-consuming firms more seriously than others. Labor productivity has fallen off extensively and unit labor costs in some lines have risen markedly. Labor itself must shoulder responsibility for a good part of this decline in productivity. But, as the president of Westinghouse has observed, serious declines in productivity are by no means to be laid chiefly at the door of labor. Much blame can be put on the uneven flow of materials and parts. For this has made it impossible to organize production so that workers can be deployed with maximum efficiency.

Higher costs and lower production might have placed some of these low-profit durable producers in a serious position this year. They have been saved by tax relief. Thus, for the first nine months, long strike-bound General Motors reported an operating deficit of \$74.4 million. But G.M. also revealed a net tax credit of \$88.4 million, which moved it \$14 million into the black.

These tax credits are of two kinds: the ordinary carry-back of losses against income earned the two previous years, and the carry-back of credits established this year against excess-profits earned in 1944 and 1945.

Excess-profits tax credits not only help lift companies

with losses out of a hole, but they also raise earnings of companies whose profits otherwise would fall short of the maximum permitted before the tax on excess profits became applicable. For it is the difference between 1946 earnings and the maximum "normal" earnings that is "carried back" as a new deduction against net income earned in 1945 and 1944. Upon recalculating its tax for these years, a company can chalk up the refund it expects against its current tax liability.

THE TREND OF PROFITS

Many of the profit divergencies of 1946 reflect circumstances that are peculiar to a first postwar year. These will disappear, and in the absence of a decline in demand, earnings in lines that have not done well in 1946 should rise toward their norm. But this norm has itself been shifting over the past two decades. Any appraisal of future earnings, therefore, must take into account those economic, social, and political forces that exercise almost as great an influence on the net income of an enterprise as do the efforts of its management.

Corporate profits this year of \$12 billion do not seem so large when stacked up alongside the \$8.1 billion of 1917 and the \$8.3 billion of 1929. For in 1917 profits were about 15% of the national income, while in 1929 they were an even tenth of a larger income. This year the nation's money income is more than double that of 1929; but profits are up less than a half and are only 7.2% of the total income.

Government tax policy is largely responsible for this decline in the share of total income going to profits, as the table that follows clearly demonstrates.

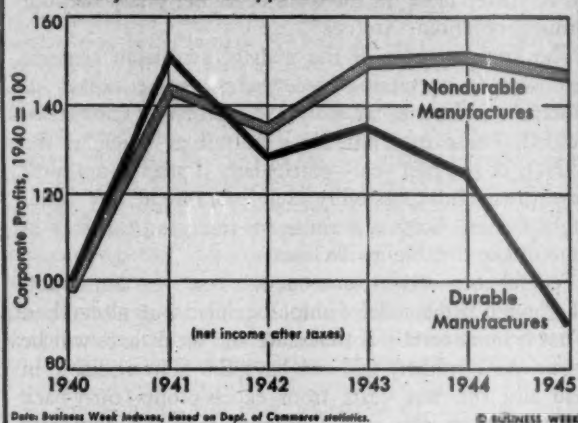
Year	National Income	% Share of Corporate Profits Before Taxes	% Share of Corporate Profits After Taxes
1929	83.3	11.7	10.0
1937	71.5	8.6	6.4
1941	96.8	17.6	9.4
1943	149.4	16.7	6.7
1945	161.0	13.0	5.6
1946	165.0	12.2	7.3

Profits before taxes actually claimed a larger proportion of national income during the war than in the late twenties. But here one gets into a realm where statistics can prove almost anything—particularly if a social moral is the objective. For example, the above picture can be modified somewhat by lumping interest with profits. For interest is lower today than in 1929, partly because of a shift of many corporations to equity capital. Other statistical adjustments can be made—but none can wipe out the fact that higher taxes have bitten deeply into corporate earnings.

The development of different industries since 1929 and the resulting growth of profits has varied enormously. Corporate earnings in the whole of manufacturing, for example, are likely to be up little more than one-fourth from 1929. Finance, insurance, and real estate, if they be considered as a group, probably will show little change. But 1946 profits of trade establishments may be four times the 1929 total. And profits in mining as a whole should be up more than a third from 1929.

WARTIME EARNINGS

Heavy industries disappoint after fast start



World War II produced no war babies comparable to World War I. Industries producing for civilians as well as for the military actually did better profitwise than the armament makers. Excess-profits taxes held earnings in restraint, and narrow profit margins on military items pushed earnings in heavy industry below the 1941 peak. This first postwar year has seen the gap between profits of nondurable and durable industries further widened.

Among different manufacturing industries, variations in earnings have been equally great. And it is possible to discern a significant pattern of change. Producers of nondurables, for example, were better off relative to 1929 all during the depressed 30's and during the prosperous war years as well. And, as indicated, they have further improved their profit position this year.

Again it is the heavy industries—those that have been less well off this year—whose profit position during the war years only regained the level of 1929 but did not surpass it greatly. Indeed, the excess-profits tax clamped a tight lid on earnings of iron and steel companies, machinery companies, and the like. For at the high point of the war, profits before taxes of these industries were more than triple the 1929 total; but payment of the increased tax bill served to drag down the final net to little more than one-fifth above that of 1929. Moreover, 1941 proved to be the year of peak earnings for durable goods producers. By 1945, profits had fallen 25% below the 1941 total. Meanwhile, in sharp contrast to this record, those turning out nondurable goods continued to expand their earnings throughout the war years.

Although taxes placed the heaviest damper on net income during the war, a shift in production to war goods (which had lower profit margins) and rising costs brought a radical change in the ratio of profits to sales for many lines. This change still persists, and while profit-sales ratios vary widely from industry to industry, the broad outline of the shift that has occurred since 1929 is readily apparent. It runs along the following lines:

(1) The share of the sales dollar going to profits before taxes is larger today than in 1929. However, for many

lines in the durable field this proportion hit a peak in 1941 that has not since been matched.

(2) The share of the sales dollar left to profits after payment of taxes is, for the majority of industries, smaller today than in 1929. This is particularly true of producers of metals and metal products. But it is not the case for some nondurable lines that today are among the most profitable (apparel, textiles, rubber). Nor is it the case for retail trade, where profit margins steadily widened.

In those lines (chiefly heavy industry) where the share of the sales dollar going to profits before taxes is lower than in 1941, management has an added worry. For, in combination with other developments, this factor has served to lift the "break-even point" in such industries above the prewar level.

Break-even points—the percentage of capacity whose operation results in neither profit nor loss—are not easy to pin down. For when an industry is staffed and organized to run at capacity, a 25% drop in operations may force it into the red. Yet, over a period of time, the same industry may so reorganize its activity as to move into the black before it reaches 75% capacity.

Break-even points today are higher for industries like autos and steel than in prewar days. Current experience, backed by careful accounting analysis, supports such a judgment. A leading steel company, for example, estimates it breaks even at 65%. In 1937 it was 48%.

And even though most industries can, if faced with the necessity, lower their break-even points, the expansion of capacity has been so great as to rule out a return to average production volumes of the thirties. For under current capacity, such an operating rate would be exceptionally low and would force many industries into a financial position that, over a period of time, would clearly prove untenable.

One further question is important to any assessment of profits: What is happening to the rate of return on invested capital? Unfortunately, available information permits no precise answer. Yet the trend is obvious: The rate of profit has been declining.

This is a conclusion that seems contrary to Treasury data relating total corporate profits to total corporate net worth. These statistics will show a higher rate of return on net worth this year than in 1929. However, a variety of accounting procedures permissible under the tax laws (including extensive downward revaluation during the 30's) have held down net worth and artificially lifted profit rates.

One piece of evidence supports the contention that the over-all rate of profit is on the decline. This is the downward trek of interest rates. The yield on high-grade industrial bonds averaged 4.86% in 1929; by 1937 it had declined to 3.06%; and in November of this year the average stood at 2.48%.

THE FUTURE OF PROFITS

Profits are the residual share of the income pie. Ownership receives what is left over after others who cooperate in production take their cuts. So all of the elements

involved in the economic process impinge on profits, and any judgment concerning their future involves a forecast that is exceedingly complex.

To undertake here such a forecast for each section of business—let alone individual companies—is manifestly impossible. An important single factor in any individual instance is management—and this varies tremendously. Nevertheless, certain broad developments vitally affect earnings throughout large segments of the economy, and some assessment of these is possible.

Three such developments are of critical importance:

- (1) Changes in the over-all level of business activity.
- (2) Changes expected in the general wage level.
- (3) Prospective changes in tax rates.

Future Business Activity

No question is so vital and yet so difficult of judgment as the prospective level of business activity. Business Week in late summer directed a separate report to this subject (BW—Aug. 24 '46, p. 45). That report concluded that at least through first-half 1947, demand in most lines should continue strong.

Today opinion on this question is divided. There are those who contend that the breakdown of price control, unexpectedly large inventory accumulation, and cut-backs in expansion of facilities, have changed the picture. Today these observers predict some letdown by mid-1947.

Still another group of analysts agrees that the above developments will, over a longer period, prove deflationary in character. Moreover, they admit the necessity for a corrective adjustment in prices and production in many lines, particularly those nondurables (textiles and apparel are examples) where stocking for inventory has contributed measurably to total demand. Nevertheless, these analysts feel that the underlying demand for automobiles, household equipment, new housing, and other consumer durables continues to be so great that any corrective adjustment of prices and output will have but a minor effect on the over-all level of production and employment.

No matter which group finds its position sustained by events, it is obvious that the sellers' market of the past year will move to something less extreme. This in itself will tend to modify profits in many nondurable fields. If business should take the turn predicted by the more pessimistic, earnings will be correspondingly worsened.

On the other hand, profits this year for most durable goods lines have been seriously affected by strikes, reconversion, material shortages, and price problems. Already the price problems are moving toward solution, and many of the other adverse conditions should be straightened out in 1947. In the absence of work stoppages and a business letdown of unforeseen severity, profits in those industries hard hit this year should be higher in 1947.

Nevertheless, labor still forms a cloud that dims the outlook for increased earnings in durable goods industries. These industries are strongly unionized, and union leaders will hardly permit increased earnings to go unchallenged, particularly with higher living costs to egg them on. The issue that is likely to face management, there-

fore, is a work stoppage or a negotiated settlement that adds substantially to costs. And not all such cost advances can be passed along in the form of higher prices without harming potential markets.

The final outcome of the management-labor struggle next year is uncertain. Nevertheless, some strikes in important industries in early 1947 probably cannot be avoided. These may not block output as much as the conflicts of the past year—particularly if steel is not shut down. It is this possibility that more than any other single element holds a promise for increased earnings in some of the durable goods lines.

Federal corporate income tax cuts next year are doubtful, though some relief cannot be ruled out altogether. What is more certain is that state and local taxes will be higher. And industry will not have the fillip available in 1946 and the war years from excess-profits carry-back credits. Unless the new Congress cuts the corporate income tax rate, the absence of carry-back credits means in essence that the federal tax rate for business as a whole will be higher next year than this.

Lower Profits in 1947

These three broad developments—a possible drop in the level of business activity, a drive for a second round of wage advances, and what, in effect, is likely to add up to a higher tax rate—make the general outlook for profits next year less favorable than this. But within an aggregate that possibly will be smaller, there may well be a leveling process, with metal and metal-consuming industries improving their position relative to trade, food, apparel, and other nondurable lines.

As for the longer run, the percentage share of income that falls to ownership appears to be on the decline. Government and labor have held the advance of earnings to a modest dimension at a time when the national income has moved upward at a record pace. The growth of unionism which is now an accomplished fact will strongly retard any future increase in earnings. And the financial legacy of the war, combined with added responsibilities of government that have gained wide acceptance, precludes a return to the lower tax rates of the 30's.

The capital which has contributed so much to the enrichment of labor and the consumer will continue to grow. And the dollar total of profits should, over a period of time, increase. But the rate of return is likely further to decline. The income pie should expand, the slice going to ownership should have more in it, but its size relative to the whole may be smaller.

REPRINTS AVAILABLE

Copies of this Report to Executives will be available in reprint form in about two weeks. Single copies will be mailed to Business Week readers upon request without charge. Additional copies will be billed at the rate of 20¢ apiece. On orders of eleven or more, quantity prices will be quoted on inquiry. Address orders for reprints to Paul Montgomery, Publisher, Business Week, 330 West 42nd Street, New York 18, N. Y.

Profit Summary by Industries

The Charts and the Summary—Change in total earnings in a number of leading industries from 1929 through 1945 are pictured in the charts on this page and the next. For 1946 no firm estimate of total profits in most industries is yet possible. Information on earnings of the great mass of small companies is not available; price shifts will alter fourth-quarter returns; and year-end tax adjustments defy prediction. In order to indicate the direction and general magnitude of changes in 1946, Business Week has shown by dotted line in the charts yearly earnings as they appeared on the basis of nine-month reports from large companies. Discussion in the summary provides information of the trend in specific industries and, where possible, hazards a very rough guess of the level of total earnings this year as compared with 1945 and other years.

Nonferrous Metals—A strong output in second-half 1946 has combined with higher prices and a greatly reduced tax bill to sustain profits in this industry. Seven companies, for example, report nine-month earnings 40% higher than a year earlier. Many companies will show little increase, though. Total earnings will not approach the 1941 peak, which was 2½ times the 1945 total.

Iron and Steel—After a poor first quarter, iron and steel companies picked up steam. Nine-month earnings of 30 companies are 44% ahead of 1945; and third-quarter net was three times the total of a year earlier, when the end of war reduced earnings. By 1944 companies turning out iron and steel and their products (including ordnance) had increased sales to a peak of \$21.2 billion. Today sales are considerably below this figure, but they far exceed the former peacetime high of \$11.7 billion in 1941. All the wartime increase in profits (which was not in proportion to the advance of sales because of lower profit margins on war goods) went into higher taxes, and net income in 1945 (with reduced second-half sales) was only 60% of the 1941 peak. Even with a very good fourth quarter, 1946 profits are hardly likely to match 1941. Whether the 1947 total moves into new high ground depends in no small part on the new bargain with labor and its aftermath in the way of price policy.

Automobiles—Automobile companies have one of the poorest profit showings of any industrial group this year. Twenty-one companies report earnings for nine months down 86.5% from 1945, and were it not for large carry-back tax credits the group would be in the red. The third quarter presented a brighter picture, however, with profits slightly higher than a year earlier. But at this rate, earnings still are far below their 1941 level (which in turn was less than in 1929). The industry set its production sights higher than availability of raw materials apparently warranted—a revision downward should improve unit costs. The outcome of forthcoming negotiations with labor and its aftermath in price policy again will have much to do with 1947 earnings.

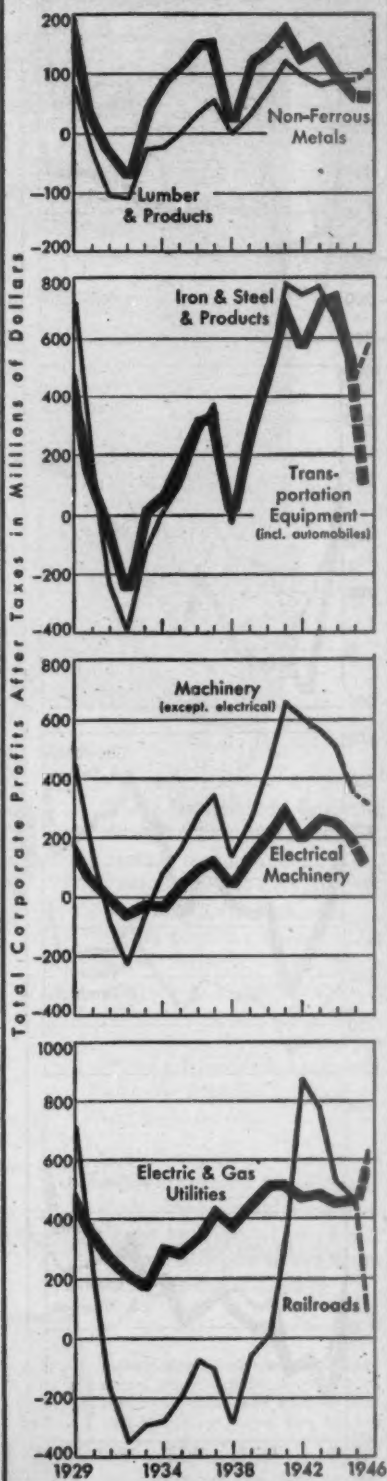
Machinery—After a poor first quarter, machinery producers stepped up output to the point where sales for the year are likely to top 1941. However, they fall considerably below the wartime level. Nine-month profits of 23 companies are up 12% from last year because of a smaller tax bill. The industry paid twice as much in taxes as it earned during the war years, and lower taxes have done much to offset the negative effect on earnings of reduced sales and higher costs. Nevertheless, earnings this year will be considerably under the 1941 peak, even though sales revenue is higher.

Electrical Machinery—Hit by strikes and material shortages more seriously than most, this industry operated in red the first six months but unveiled modest earnings in the third quarter. Thirteen companies report nine-month earnings down 70% from 1945, but third-quarter net ran substantially higher than any quarter of 1945. However, 1946 profit figures reflect extensive carry-back tax credits. Taxes in 1944, for example, were more than twice the total of all earnings. Moreover, profits reached a peak in 1941 that exceeds earnings at the third-quarter rate. Sales this year are likely to top the 1941 total, but profit margins were cut under price control. Some adjustment of prices on a number of items now is occurring, and along with heavy output this should push profits above levels of the past quarter.

Electric Light and Power—This industry is enjoying high activity combined with a lighter tax burden. Earnings are running 20% ahead of a year ago, with repeal of the excess-profits tax producing a portion of the gain, and lower capital costs created by record refunding operations responsible for the remainder. Wartime sales expanded greatly and the industry did not suffer the letdown expected by many when war demand disappeared. Power output

PROFIT TRENDS—

Durables, Rails—capacity and output have increased, but total earnings lag

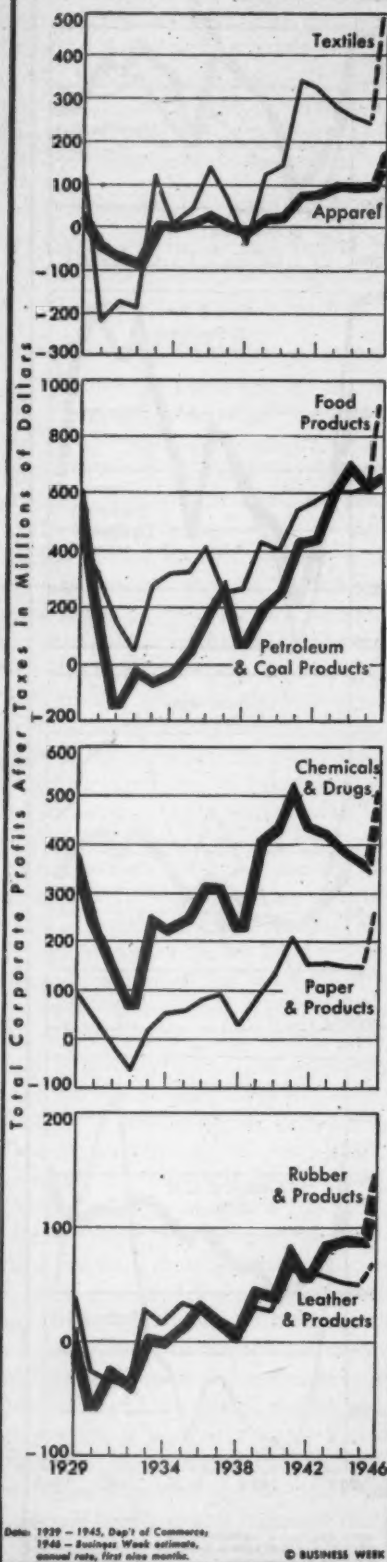


Data: 1929 - 1945, Dept. of Commerce;
1946 - Business Week estimate,
annual rate, first nine months.

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PROFIT TRENDS —

Nondurables—growth has been rapid, total earnings have moved upward



Data: 1929 - 1945, Dept of Commerce;
1946 - Business Week estimate,
annual rate, first nine months.

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recently has been above the wartime peak for the period. And the principal increase is in high-rate residential and commercial markets. The result is larger revenue, even in the face of widespread reductions in rates. Revenues should be further expanded next year as customers receive a large flow of new appliances.

Railroads—The carriers report a nine-month net of only \$96.5 million, little more than a fifth of the corresponding total in 1945. And around two-thirds of this represents carry-back tax credits. Both freight traffic and passenger revenues are considerably above 1941, although down from 1945 levels. Moreover, the roads are handling about a third more traffic units per man-hour than in 1933. Current difficulty stems from greatly increased costs (wage-rates and materials are up more than 50% since 1939) and only a small advance in freight and passenger rates. Earnings next year hinge chiefly on the ICC decision regarding rate advances.

Textiles and Apparel—These lines have been among the more profitable—both during and since the war. Earnings this year may stand on the average more than three-fourths above 1945. A lower tax bill again is the principal factor, although sales have also advanced. Despite the largest percentage boost in hourly earnings of any industry (largely offset by higher prices), wartime expansion of output and sales lifted net income before taxes three to five times above 1940. Taxes claimed a large part now going to industry. Some output this year—particularly of textiles—has gone into inventory. With the end of such demand, readjustment of output and sales is anticipated. Earnings may feel the effect.

Food and Beverages—A strong upward growth trend in sales, including great wartime expansion, features this group. Dollar sales in 1946 will more than double the 1940 total and should further advance over the next few years. Labor is not a heavy cost element. Profit margins have increased over the past decade, and the rise in profits has been more rapid than sales. Earnings this year may average more than 40% above 1945, chiefly because of lower taxes. But different lines show diversity. Liquor company earnings have soared; baking company profits are up sharply; manufactured food gains are more modest.

Petroleum and Coal Products—Profits for these industries in their entirety probably will show only a small increase from 1945. Sales are somewhat lower, elimination of the excess-profits tax has offset the decline in gross earnings. Earnings in 1946 are little more than in 1929, although sales are up more than three-fourths.

Chemicals and Allied Products—Earnings during the war years fell below the 1941 peak despite a doubling of sales revenue. Narrow profit margins on war goods and channeling of earnings to excess-profits taxes did the trick. This year sales revenues are down (although considerably above prewar levels) and profits before taxes are lower. But a smaller tax bill has raised net earnings 40% to 50% above last year. This restores profits for the industry as a whole close to the 1941 high.

Paper and Allied Products—This is another industry with a strong upward production trend. Sales climbed about three-fourths (dollarwise) during war years and have advanced again this year. Moreover, heavy excess-profits taxes no longer are paid. The result is a new high in earnings—80% or more above last year. Current ratio of profits to sales, both before and after taxes, exceeds the ratio of 1929 and appears to be about equal the 1941 peak. Net profits consequently are up sharply from prewar days.

Rubber and Rubber Products—Earnings are the highest on record—more than three-fifths above 1945 and almost double 1941. Sales this year should compare favorably with 1945, when (in first-half) considerable nonrubber goods were turned out for war purposes. But the big profit advance comes from lower taxes. During the war total sales doubled and gross earnings more than doubled. Most of these increased profits were siphoned off in taxes—the industry's tax bill was 2½ times its net profit. Now the industry is maintaining sales at a record peacetime level and gaining the earnings formerly denied it.

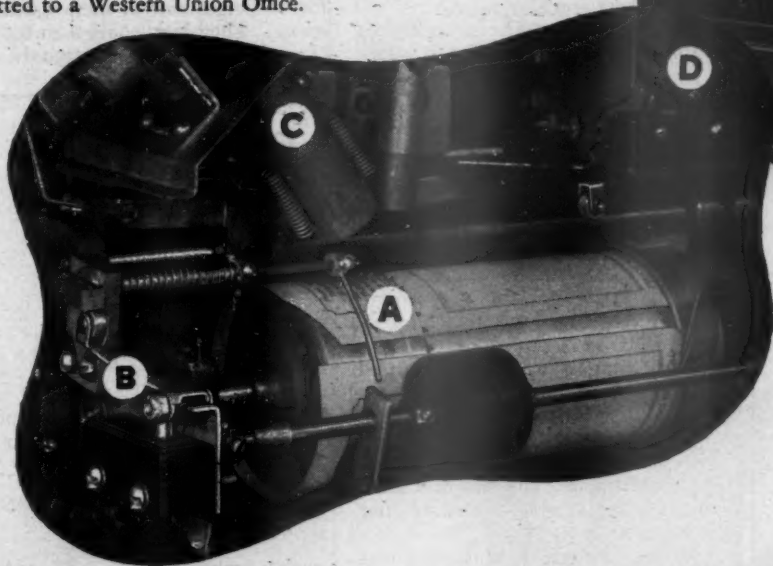
Retail Trade—This field shows one of the strongest upward growth trends in all business. Sales expanded steadily during war years and earnings before taxes were doubled between 1941 and 1945. On an after-tax basis, profits moved up almost 50%. This year sales again have advanced (about 30%). Along with elimination of the excess-profits tax, these increased sales have served to skyrocket earnings. Twenty-one large companies, for example, report a nine-month gain of more than 150%. While the rise in earnings for all of retail trade will be less than this, total profits are likely to be triple those of 1941. This year probably has seen the peak of retail trade earnings in the current boom.

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MARKETING

Milk Industry Turns Cautious

With the rise in consumption slowing down noticeably, fluid handlers are wary of further price increases in coming era of competition. BAE reports per capita use is slumping.

Fluid milk handlers are entering a new production year with mixed feelings. The industry is pleased that it came through its price decontrol period without smacking against organized consumer resistance. At the same time, the troubling shadow of slipping sales is seen in the intricate figuring of dairy economists, both in government and in the industry.

With milk output ready to start its seasonal climb to a climax in the 1947 flush (April, May, and June), the industry knows it is facing a new era of competition.

• **Real Test Later**—The industry is counting on a seasonal decline in prices,

which goes hand in hand with the upward surge in production, to stave off a deepening sales slump. But the real test will come later when a full flow of industrial goods of all kinds is competing for the consumer's dollar.

Wartime incomes pushed fluid milk sales to a peak nearly 27% above prewar. Dairy economists are now sure the crest has been passed. Hence, as sales nose down, each handler will strive to hang on to the sales volume that spells his own profit margin.

Handlers would be content to settle for the larger part of their wartime increase. They lack enough milk, moreover, to keep sales rolling upward at

The Wired Bra Is Busting Out All Over

Two years ago most brassiere manufacturers and most brassiere wearers were content to rely on such prosaic materials as elastic webbing, rayon, nylon, or cotton fabric to achieve the current vogue for uplift and separation.

• **Something New**—Then the wired bra, hot from Paris, began to sweep the country. Smart manufacturers, hep to the fact that the wired uplift had no effective price ceiling, put out strapped and strapless models at prices ranging downward (but not much) from \$35.

In the past few months wired bras have moved quickly from the custom-model class to mass production. A week ago, during New York's corset-market week, Alene Bra, Inc., hired Elsa Maxwell to stage a party at the Waldorf Astoria to introduce its own "delineation of the bosom silhouette." Its \$7.50 models (picture) are probably typical of the price range now enjoying the biggest sales volume.

• **Spot Check on Reaction**—Some of the old-line, well-established brassiere houses have shied away from the wired bra on health grounds. But plenty of others rushed in, found a ready market.

Last week's Women's Wear Daily

rounded up the reaction of department and specialty store corset buyers the country over: St. Louis easily sold customers two or three at a time at \$15 to \$27.50 each; Denver found wired bras most popular with larger women; Buffalo reported heavy demands from customers of all ages; Columbus, Ohio, felt they did not give enough support; Philadelphia stores found them controversial and stress the need of proper fitting.



their wartime pace. Milk production has been sliding for nearly two years. Favorable influences like more farm labor, more and better feed, and more machinery could turn the trend around. But handlers aren't counting on it for the near future.

• **Rise Was Nationwide**—Decontrol found the industry inching toward a higher price plateau (BW—Apr. 13'46, p21). The July lapse of OPA left the dairy industry without either price control or producer subsidies. As a result, consumer prices were raised in a nationwide move to offset the loss of subsidies. Higher butter prices showed farm returns from fluid milk even higher. Prices of fluid usually are hooked to butter quotations.

By November, when the milk flow was at its ebb, prices had risen as much as 5¢ a qt. at retail—worth about \$2 a cwt. to producers. Earlier plans for dairy subsidies would have fallen short of such an increase by as much as 80¢. Thus, fluid milk producers gained a larger return than they would have received from a combination of controlled prices and federal payments. The net gain is between 1.5¢ and 2¢ a qt.

• **Big Markets Hold Gains**—Higher prices pressed against fluid consumption, cut sales in some markets, held down gains in others. One private survey of 15 markets showed consumption continuing upward in all but a few small markets.

Another industry report for 14 eastern markets found six with less, eight with more sales. Consumption is below last year in such markets as Philadelphia, Baltimore, and Washington, D. C.

• **Per Capita Use Drops**—The U. S. Dept. of Agriculture has come up with figures showing a lower national average use of fluid milk and cream. The Bureau of Agricultural Economics puts the rise in prices foremost among the reasons for the slump.

It figures that per capita use of fluid products will come to 430 lb. in 1946 against 438 in 1945—decline of 2% for the year. The drop has come since June 30 and has recently run nearly 8%.

Industry researchers prefer to give price rises less weight in shortening consumption. They say that a drop in California closely matched a reduction in sales to U. S. military forces. Likewise the larger part of the slump in Washington, D. C., can be traced to a smaller intake at Camp Meade, Md.

• **Little Resistance**—With lower prices ahead, many handlers feel they have completed the transition from control without stirring open consumer opposition. New York's nickel increase, for example, upped out-of-store prices one-third; they went from 14¢ to 19¢ a qt.

Handlers believe that organized resistance was absent largely because prices were stepped up gradually over a

ARE YOUR RECORDS AS SECURE AS THE FUTURE OF YOUR BUSINESS?

Generations yet to come will conduct your business on the basis of records which you are preparing today. Will they have occasion to commend you for selecting record paper that remains strong, firm and usable in spite of time and use? Are you making sure that the paper you choose for important, long-term records provides a safe, enduring foundation and lasting protection in keeping with their current and future value?

For your own protection and for future security, make sure

that all key records—production, distribution, financial, legal, insurance, etc.—are preserved on Weston-quality paper. Made of strong, durable cotton fibre expressly for records worth keeping, they have the qualities of resistance and endurance, appearance and serviceability that important records require and deserve. Ask your supplier to show you Weston cotton fibre Permanent Record, Ledger, Bond, Index and Machine Accounting Papers to suit your special record keeping needs.

BYRON WESTON COMPANY, DALTON, MASSACHUSETTS



*If it's worth keeping, keep it on
a WESTON Paper*

Weston *Manufactured Papers*





Tackling a tough problem with your hands tied?

Bring it to Union Metal.

For 40 years we have specialized in licking tough problems in the fabrication of steel products. Here, we have worked out solutions in design, engineering or production for ultimate product success.

Today, the products of this craftsmanship can be seen everywhere—on the highways (Hoobler undercarriages), on the high seas (cargo booms), on busy thoroughfares (lighting standards), in industrial plants (materials handling equipment). Tomorrow's new developments are on our planning boards now.

Because of this experience and our fidelity to continuous improvement, we believe that our aptitudes and facilities can be successfully applied to your job. Why not learn today how Union Metal can make the most of your idea—the least of your problem? For complete details, write The Union Metal Mfg. Co., Canton 5, O.

UNION METAL
Craftsmen in Steel Fabrication

span of six months and because consumers knew the biggest slice was passed back to producers.

• **Motive Questioned**—As the short season (July through November) neared its end, handlers and producers alike were wary of further increases. The Maryland-Virginia Milk Producers protested an automatic increase for them while it was still in the making. Sagging butter prices staved it off.

Such self-restraint so startled some cynics that they promptly found in the move a motive worthy of a chessmaster. As they saw it, the offer to give up a 20¢ increase (per cwt.) in November could lead the USDA to hold off an equally automatic decrease of 25¢ in April, May, and June.

• **Premium Canceled**—In New York, a premium which handlers paid producers in October to meet New England competition for milk was canceled in November. The New York federal market order called for an increase of slightly more than the premium in the latter month. As the handlers already had notched consumer prices up 1¢ to defray the October premium, they preferred to avoid another increase in November. The result: The increase ordered was not stacked upon the premium.

How soon fluid prices will start down depends largely on what happens to butter at wholesale. Market quotations have traveled an erratic path since butter was decontrolled. After hitting a high point in the upper 80's, the price broke to 84.5¢ a lb. (New York quotation) on the very day that the USDA lifted its ban on heavy cream. With shipping cream again for sale (BW—Jun. 8 '46, p7), cream supplies for butter are expected to tighten.

• **Large Cream Stocks**—Several reasons are offered in the industry to explain why the release of heavy cream failed to touch off an immediate market rise in butter. The cream industry holds large stocks of storage cream usable either as cream or as butter.

Only New York and Boston are prime markets for whipping cream, and New York's big distributors, Borden's Farm Products Division and Sheffield Farms Co., pointedly said they had none for sale.

• **Butter May Hold Firm**—While December is counted as the first of the months of long production, farm output mounts slowly until mid-March. Butter prices, therefore, have room to resume their upward course, but the industry is not expecting them to ride much further along that path. Even though butter stocks are low, the creameries have enlarged their output. The winter shutdown of most of the manufacturing of other kinds of dairy products leaves butter as first claimant on nearly all the excess over fluid needs.



Catering to her needs

A wonderful chemist, the cow. But she can't manufacture the calcium and phosphorus required in her milk for proper nourishment of infants. These inorganic nutrients must be provided either as natural constituents of her feed or as supplements, or she will rob her body to supply them. Most natural animal feeds are deficient in these vital minerals. So feed manufacturers add these necessary ingredients to supply the cow with a well-balanced diet.

To meet this nutritional requirement, International is producing Defluorophos and Multifos, supplements that are rich in available calcium and phosphorus, for use as standard ingredients in many of the best known livestock feeds and mineral supplements.

International Minerals & Chemical Corporation
General Offices: 20 North Wacker Drive
Chicago 6

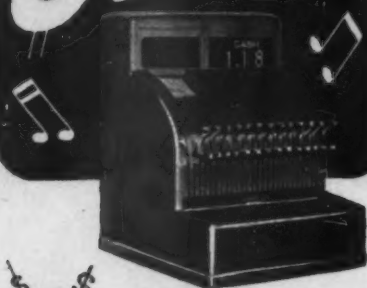
International 

MINERALS AND CHEMICALS

INTERNATIONAL MINERALS AND CHEMICALS serve you in many ways through industry and agriculture: POTASH and PHOSPHATE for industrial chemicals and fertilizers. HIGH-ANALYSIS PLANT FOODS for larger yields of quality crops. CHEMICALS: Potassium Chlorate, Silica Gel, Epsom Salt, Defluorinated Phosphate, Sodium Silico-Fluoride, Sulphuric Acid. AMINO PRODUCTS for the food and pharmaceutical industries: Mono Sodium Glutamate for finer tasting foods, Glutamic Acid, Glutamic Acid Hydrochloride, Betaine, Betaine Hydrochloride.

Make Your Cash Register

SING!



1

First in circulation, advertising, news, and public service, **THE EXAMINER** is the number one sales influence in an ever-increasing market!

2

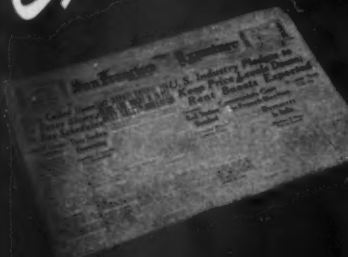
Sales Managers know that the most effective key to distribution in the San Francisco area is the pledge to retailers of an advertising schedule in **THE EXAMINER**!

3

As far back as the records go retailers in San Francisco have invested more advertising dollars in **THE EXAMINER** than in any other newspaper!

THE SAN FRANCISCO

Examiner



NEWSPAPER NUMBER ONE

Nationally represented by
Best Advertising Service

Television Goal

Chicago plans campaign to put that city on the video map. Exposition next spring will be preceded by educational work.

Chicago radio and television interests are convinced that television's big boom is just around the corner. They are launching a coordinated promotion campaign to put their city on the television map early. Ultimately, they hope to make Chicago the hub of a midwestern television network.

The promotion plans are sponsored by the Electric Assn. Four committees represent manufacturers, broadcasters, radio and appliance dealers, and advertising agencies.

• **Exposition Slated**—Opening gun of the campaign will be a major television exposition next spring. The date will depend on delivery of enough receivers to Chicago distributors to stock dealers.

The sponsors also will try to make the exposition date coincide with the opening of a second television broadcasting station there. WGN, the Chicago Tribune's Mutual-affiliate station in Chicago, hopes to have a television station in operation by spring, if it can get equipment. American Broadcasting

Co. has similar plans for Chicago. National Broadcasting Co. anticipates that it will have a Chicago television station within the next year.

At present Chicago's only commercial station is WBKB, owned by Balaban & Katz, movie chain.

• **Training Program**—As a prelude to the exposition, the dealers' committee will undertake a training and educational program. Proper installation and servicing of television receiver sets will be demonstrated for dealers and repairmen. The advertising agency committee is planning a series of forums. The objective will be to convince advertising agencies and their clients the time is ripe for commercial television programs.

Manufacturers have promised to allocate 20% of 1947's estimated receiver production to the Chicago area, to help the association's program.

• **Big Market Seen**—A recent survey by Commonwealth Edison Co. estimated a market for 175,000 television sets in its Chicago territory. Five hundred sets are now operated in Chicago, and several thousand are expected by the end of the year.

One of the chief backers of television for Chicago, Commonwealth Edison Co., has telecast one show a week for nearly two years over WBKB. The utility has been sponsoring dealer demonstrations in radio and appliance stores throughout its territory since 1945.



SELLING TELEVISION BY TELEVISION

DuMont Television painted the lily last week. It not only sewed up a contract with Chevrolet for a weekly telecast—no mean item in itself—but it did it by television. By means of television screens, each of the contracting parties—one in Washington, one in New York—watched the other sign. In New York, negotiations were attended by (left to right) Samuel Cuff, manager of DuMont's station WABD; Dr. Allen B. DuMont, president, DuMont Laboratories; Win Case, vice-president, Campbell-Ewald Co.; Leonard F. Cramer, DuMont executive vice-president. When signed, television contracts were projected onto a screen, superimposed to form one document, photographed.

DESIGNED AND ENGINEERED AT NO. 1 PLASTICS AVENUE

PROBLEM—
MOLD PLASTICS WATCHSTRAP
MUST RESIST FUNGUS... ROT... PERSPIRATION.

MOLDED PLASTIC STANDS THE TEST OF TIME

LEATHER watchstraps just couldn't take the beating of jungle conditions. They rotted in no time. And too many irreplaceable watches were being lost in the field during the war.

The Hamilton Watch Company asked General Electric if plastics could do something to solve this serious problem.

Nylon was selected as the material because it is impervious to sweat . . . fungus . . . rot . . . salt water. But nylon had never before been molded, like this. A special new nylon molding compound had to be obtained. Then No. 1 Plastics Avenue specified the processes whereby molded nylon watchstraps could be produced economically in quantity.

This is one more case of plastics engineered to the job doing what no other known material can do. If you have a problem that plastics might solve, bring it to General Electric. G.E. is the world's largest manufacturer of finished plastics products. Plastics Divisions, Chemical

Department, General Electric Company, 1 Plastics Avenue, Pittsfield, Massachusetts. *Why not send for the new illustrated booklet, "What Are Plastics?"*

G-E Complete Service—Everything in Plastics

Backed by 52 years of experience. We've been designing and manufacturing plastics products ever since 1894. G-E Research works continually to develop new materials, new processes, new applications.

No. 1 Plastics Avenue—complete plastics service—engineering, design and mold-making. Our own industrial designers and engineers, working together, create plastics parts that are both scientifically sound and good-looking. Our own toolrooms are manned by skilled craftsmen—average precision mold experience, 12 years.

All types of plastics. Facilities for compression, injection, transfer and cold molding . . . for both high and low pressure laminating . . . for fabricating. And General Electric Quality Control—a byword in industry—means as many as 160 inspections and analyses for a single plastic part.

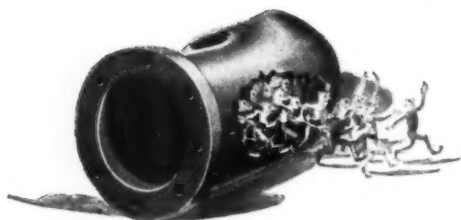


GENERAL ELECTRIC

GD-45-A17

General Electric plastics factories are located in Fort Wayne, Ind., Meriden, Conn., Scranton, Pa., Taunton, West Lynn, and Pittsfield, Mass.

Here's where rubber outwears iron by 100 to 1-Plus!



OF all the "gremlins" that plague industry, none are more perverse and troublesome than those encountered in handling sharp, highly-abrasive materials. These diamond-hard particles have the annoying habit of rapidly cutting through the stoutest metal pipe—as the Ceramics Division of the Champion Spark Plug Company learned before finding the cure.

In making porcelain insulators for

Champion plugs, an extremely hard dense abrasive ceramic material is put through a series of grinding operations, fed by gravity from one grinder to another. For this feed line which makes several angling turns, six-inch black iron pipe was being used—and the sharp, gritty material cut it through at the bends in 30 hours, necessitating continuous patching and replacement.

THEN the purchasing agent happened to mention this trouble spot to the G.T.M. — Goodyear Technical Man. After a look-see, that friendly counselor advised using Diversipipe — a tough, heavy-duty, wire-reinforced rubber hose-pipe, specially developed by Goodyear for handling ore fines, pulverized coal, slag, cement and other abrasives.

The P.A. took the G.T.M.'s tip, and in May 1945 the iron pipe was replaced with a 6-inch Diversipipe installation. Today, a year and a half later, the entire original line is still in service. There has been no holing through at the bends, no repairs, no replacements. And Champion reports: "No sign of wear!"

Figuring on the basis of 8-hour working days, Goodyear Diversipipe has already given more than 100 times longer service than metal pipe, and it has many plus months to go yet. Yes, its original price was a little higher, but its ultimate cost will be infinitesimal.

No matter what you want to pipe — from super-heated steam, to corrosive acids or abrasive solids, there is a specially designed Goodyear hose that will give you similarly long-lasting, economical super-service. Whatever your need in hose and other industrial rubber products, it will pay you to consult the G.T.M. first. Write: Goodyear, Akron 16, Ohio, or Los Angeles 54, California.

GOOD YEAR

THE GREATEST NAME IN RUBBER



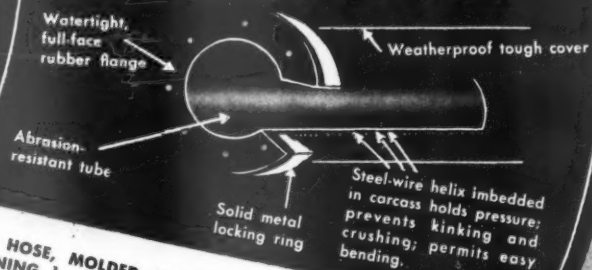


GOODYEAR INDUSTRIAL RUBBER PRODUCTS



-Specified **DIVERSIPIPE**

conducting dry ceramic material
for Ceramics Division, Champion Spark Plug Company



**FOR BELTING, HOSE, MOLDED GOODS, PACKING
AND TANK LINING** built to the world's highest
standard of quality, phone your nearest Goodyear
Industrial Rubber Products Distributor.

HERE'S THE 'COMPANY CAR' THAT'S BUILT TO FIT BUSINESS NEEDS



The double-utility "Jeep" Station Wagon is ideal for sales and field merchandisers, providing adjustable seating and load capacity. Steel body and top make it a safer, more economical field car. Side panels give space for firm name.

The "Jeep" Station Wagon is all that a company car should be—widely useful, economical and long-lived. Willys-Overland built it to meet business needs.

Its seven comfortable, roomy seats can handle inspection parties, plant visitors, sales groups. With seats removed, there's big space for bulky loads, sample cases, display material.

The "Jeep" Station Wagon is low on maintenance and long on mileage. It has a steel body and top—safer, longer lasting and lighter weight. You save with its "Jeep" Engine and get extra miles-per-gallon with the overdrive. Independent front-wheel suspension smooths bumps and saves on tires.

See the "Jeep" Station Wagon at Willys-Overland dealers. Compare it with any car for the way it meets your business needs.

Willys-Overland Motors, Toledo, Ohio
MAKERS OF AMERICA'S MOST USEFUL VEHICLES

'Jeep' Station Wagon

STEEL BODY AND TOP — SEATS FOR 7 — 'JEEP' ENGINE

FT
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FTC on New Tack

Commissioner Mason holds first meeting under agency's plan for trade-practice talks to eliminate "bad habits."

Federal Trade Commissioner Lowell B. Mason conducted the packaged household dye industry through an informal trade-practice conference last week in his private office. Seven members of the modest-sized industry were represented, but the big room was jam-packed with spectators from other trades. The visitors were intent on seeing what has been added to FTC's voluntary rule-making procedure under the commission's Truman-sponsored reorganization plan (BW—Jun. 22 '46, p64).

Playing up the significance of the occasion, FTC's freshman commissioner announced it as the first of a new series under direct authority from Congress. Legislative approval came when funds were appropriated last May for FTC's new program of industry-wide correction of "bad business habits."

Mason, one of Truman's favorite Republicans, carried the ball in getting that appropriation. Now he must show



FURBELOW

And now the bow tie with the five-o'clock shadow. It all started as a fur fashion show gag, but Michael Roberts (above), Detroit furrier, reports that the demand for fur ties is up, that cravats to match the little woman's coat might become modish. The brave, desiring a pelt under the chin from the brothers Roberts, have a choice range from mole to mink. Prices: \$25 up—way up.



"Mr. Willoughby, I've been with this firm twenty years, never asked for anything...



unless it helped the business... we worked short handed through all the war years...



haven't enough experienced people now... and I absolutely refuse to be put off



any longer! Goldarn it, Mr. Willoughby, either I get a Postage Meter—or else!



Right turn, too—

because there's too much to do these days without watching stamps, counting stamps, sticking stamps! You're through with adhesive stamps forever when you have a Postage Meter... which *prints* directly on the envelope, any amount of postage, as needed, for any kind of mail... prints the postmark and a small advertisement (optional) as well... seals the envelope *at the same time*, makes mailing easy and quick! Your postage is automatically accounted for, always protected from loss, theft, misuse. And your mail moves faster through the postoffice when it's metered!

One letter a day or thousands, there's a Postage Meter for every office, large or small... Call the nearest Pitney-Bowes office for details. Or write for illustrated booklet!



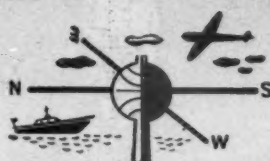
PITNEY-BOWES Postage Meter

PITNEY-BOWES INC., 1408 Pacific St., Stamford, Conn.
Originators of Metered Mail. Largest makers of postage meters
Offices in 59 principal cities of the United States and Canada



MEMORANDUM

TO MANAGEMENT



When Dr. Ernest Hediger, a Business Week correspondent, took the floor in the first United Nations Conference in San Francisco to read back his report and translation of the Russian delegate's speech, he made a little bit of history.

His report was responsible for one of the few (up until now) positive and pleasant "Yes's" to come from the Russian section. Mr. Molotov unhesitatingly approved it as accurate, complete and unbiased. He even smiled a little.



But Dr. Hediger does not hold his post as head of the Mexico City bureau because of his knowledge of the Russian language. Rather, it was because his studies for the Foreign Policy Association and research for his book (*War Effects on Latin America*) provided him with the exact background for Business Week's kind of reporting.

When Dr. Hediger called on John Chapman, Business Week's foreign editor, to discuss some of the aspects of business developments among our Latin American neighbors, his qualifications for Business Week's foreign bureau responsibilities became obvious. And it was Dr. Hediger's keen appreciation of the magazine's objectives that made him receptive to Business Week's subsequent proposal.

For ten years, he had been economic advisor to the International Labor Office of the Geneva League of Nations, where his knowledge of the economic structure of Europe's many countries was invaluable to decisions involving trade treaties.

The strange affinity between Hediger and peace conferences may be due to the fact that he was born in Geneva, seat of the first world-wide organized

peace effort. Or that as professor of economic geography (world location of raw materials), his research into European economics continually increased his value as an 'economist-in-attendance.'

In any event, Dr. Hediger is as strongly attached to peace-makers as they are to him. He was recently in New York on leave of absence to comply with a second UN request that he attend conferences as an interpreter and economic-reporter.

It was not until Hediger had concluded a series of lectures at the University of Mexico for the Rockefeller Foundation that he became convinced of the increasingly vital role Mexico would play in American business expansion. He decided to remain there, and continue his explorations into its economic system and the impact of that system upon American business.

Almost coincident with his decision in 1941 to remain in Mexico, Dr. Hediger became a Business Week correspondent, and his recent round-ups of news on American business expansion south of the border are typical of the consistent work which has resulted from that 1941 decision.

More reports from Mexico, of use to management-men planning expansion of their own plants and operations down there are coming.

Paul Montgomery.
PUBLISHER



results if the commission is to get further support for its new work plan.

- **Emphasis on Prevention**—Trade-practice conferences to draw up codes governing the industries affected have been a feature of FTC's policing of competitive practices for the past 20 years. But its main weapons have been complaints and cease-and-desist orders that were issued against individual firms.

With the infusion of new blood in the person of Commissioner Mason (BW—Oct. 13 '45, p85), the commission will put more emphasis on the across-the-board method of eliminating unfair and deceptive practices. FTC now calls industry conferences on its own initiative. Formerly, the commission called them only in response to a request from a substantial number of the members of an industry.

- **Time for Discussion**—Household dyes were selected by the commission when Park & Tilford, Inc., suggested, in reply to a complaint issued against it by the commission, that other members of the industry be called in. The company said certain advertising claims to which the commission objects are common to all (BW—Aug. 31 '46, p7). A quick survey of industry practices convinced the commission that a conference was desirable.

The complaint against P. & T. charged that advertising of Tintex misleads purchasers into the belief that perfect results can be obtained on any fabric in any color. P. & T. countered by pointing to advertisements of Tintex's leading competitor, "All-Purpose Rit."

- **Trademark Problem**—Among trade practice rules suggested to last week's conference by P. & T. and by Boyle-Midway Co., maker of Diamond dyes, was one banning use of the phrase "all-purpose" in advertising of household dyes unless they will literally dye anything. "All-Purpose," however, is a registered trademark of Rit Products Corp., a Best Foods subsidiary. The conference thus offers the interesting possibility that a trade-practice rule might attempt to proscribe a valid trademark registered in the Patent Office.

Commissioner of Patents Casper W. Ooms was FTC Commissioner Mason's guest at the opening of the session. He is interested because he has an industry relations problem himself—in connection with his new trademark law.

The conference also debated whether terms like "fast," "sunfast," and "fadeless" as applied to colors derived from the dyes should be defined or eliminated from advertising.

- **Demonstrators**—Intent observers from the cosmetic industry followed every word of a discussion on sales practices involving payment of "push money" and the furnishing of paid "demonstrators." Both practices are involved in

"Sure makes shoppin' a cinch"

FOR ECONOMY—BUY BY WEIGHT IN BAGS

Bemis Open-Mesh Bags make buying potatoes as simple as picking up a loaf of bread ... so easy and dependable even a child can do it.

Yes, mother now sends Pete to the store and gets prompt action. For even Pete likes this better, modern way to buy. No time is lost. He just scoots into the grocery, picks up the bag, and is out again quick as you can say Bemis Open-Mesh.

This thrifty way to shop cuts time waste, for there's no sorting or sacking, no waiting to weigh. The potatoes are ready-packed, and the mesh is wide-open, visual assurance they're top quality.

Whether you send Pete, or go to the grocery yourself, buy potatoes ... and oranges, apples, grapefruit, and onions ... in Bemis Open-Mesh Bags. As Pete says, "It sure makes shoppin' a cinch."

BEMIS BRO. BAG CO.

GENERAL OFFICES • St. Louis 2, Mo.

Burlap, Cotton and
Paper Bags



26 Plants Throughout
the Country



that "buyers' market"
is just around
the corner...

SO WHAT?

Sure, we all know it's coming and are getting ready to return to an era of good old selling and merchandising. And it will be a healthy thing for business.

But what about "factory overhead" in a buyers' market?

Maybe there's an angle here that some of us may have overlooked—or at least underestimated. Anyway, it's worth pursuing for a moment.

Naturally, we all "hope" to keep the factory busy—running at full tilt, just like it was during the war and during these recent times when the market would eagerly absorb all we could make (strikes and materials permitting).

If not, what then?

Plant investment adds permanent overhead

What about those newly added plants, those extensions and the additional equipment which those brave new post-war products have called into being? If you have any such that are still on the drafting board, consider this...

We're not counseling against increased production, additional models and additional products, to put your Company out ahead of the pack. It's just good business to be everlastingly aggressive.

But it's also good business to look at the accounting ledgers too. Particularly those items that add up to "overhead". For those are the factors that strangle many a business when the going gets tough in a buyers' market.

Let Lewyt carry part of the overhead!

Instead of adding plant and equipment for those new models or assemblies, why not call in a good contract manufacturer. If he knows his business, he'll be able to integrate his production with your assembly lines—and maybe save you money in the process.

At any rate, you'll avoid building up excessive overhead. Why not "Let Lewyt Do It"?

* * *

Write on your business stationery for our illustrated brochure describing the Lewyt organization. Lewyt Corporation, Contract Manufacturing Division, 66 Broadway, Brooklyn 11, N.Y.

Lewyt
LET LEWYT DO IT

FOR MORE THAN HALF A CENTURY A CONTRACT MANUFACTURER,
EXPERTLY STAFFED TO PRODUCE COMPLETE ELECTRONIC AND
MECHANICAL ASSEMBLIES, COMPONENT PARTS, SUB-ASSEMBLIES
AND METAL PRODUCTS, TO THE MOST EXACTING REQUIREMENTS

demonstrator cases now being litigated by six leading cosmetic houses.

FTC has virtually promised a trade practice conference to put all cosmetic manufacturers on an even basis in the use of demonstrators and other trade practices.

• **One at a Time**—Confronted by strictures of existing law (the Robinson-Patman Act), the household dye manufacturers assented to trade rules banning the illegal use of both push money and demonstrators.

But Commissioner Mason put it into the record that the commission would make no attempt to write any rules for general application outside the household dye field. Each trade practice conference will stand on its own feet.

JUKE BOX WINDFALL

The cost of upkeep on the country's 1,000,000 coin-operated phonographs is rising rapidly. But, paradoxically, this is likely to turn a neat profit for the proprietors of the restaurants, bars, and other amusement places where music has been vended, up to now, at a nickel a record.

The price is going up. The new rate, effective as each machine is converted, will be a dime for a single playing, with a cut rate of three for a quarter.

Rudolph Wurlitzer Co. of North Tonawanda, N. Y., began this week to send out conversion kits at an average cost of 70¢.

Juke box service costs have risen as much as 100%, according to Wurlitzer. As a result, the company got its customers—the juke-box operators—to test the increased price in California. It found that playing fell off immediately with the higher price, but then recovered in full.

Coin-operated music boxes bring in something like \$200,000,000 annually. The owners split, usually on a 50-50 basis, with the proprietors of the establishments where the boxes are located.

Thus the price increase will constitute a windfall for the store operator. He bears none of the increased maintenance cost but will get half of additional revenue from the price rise.

P. S.

William S. Paley, chairman of the board of Columbia Broadcasting System, who recently urged self-regulation on the broadcasting industry (BW—Nov. 2'46, p38), will be the first speaker on a new series of CBS public relations radio programs to acquaint the public with the radio business.

McGraw-Hill Book Co. next spring will introduce text-films—15-minute, 16-mm. sound motion pictures and silent film strips for use with the company's high school and college text books.



*Why Industries prefer
the S.P. network*

WHEN YOU SELECT A SITE for your manufacturing plant or distribution facilities in the West, Texas or Louisiana, it will naturally be to your advantage to locate on the railroad which gives you the greatest coverage of this rapidly expanding market. So before you make your selection, be sure to check the advantages offered by the Southern Pacific network.

Southern Pacific is the largest transportation system west of the Mississippi. Its more than 15,000 miles of line blanket a greater sweep of territory than any other railroad in America. That's why we can say that when you locate on Southern Pacific, chances are the bulk of your customers in your immediate distributing territory will be on our lines, too—served by us directly in most cases and exclusively in many cases.

This means that on Southern Pacific you get every possible rate advantage through direct, one-railroad shipments. It also means that in the majority of cases you will have only one railroad to deal with. Our representatives will look after your shipments at both point of origin and destination.

Southern Pacific is known as an efficient, progressive freight carrier. Among other things, we pioneered fast overnight

merchandise trains for less-carload freight, with pick-up and delivery service—"Railroad service to your door."

Our business is *transportation*, not real estate. We are more interested in the success of your operation than we are in its specific location. You may be sure, therefore, that whatever advice we give you about a site in this region will be honest and unbiased.

In the vast territory served by Southern Pacific are conditions and resources suitable for almost every imaginable kind of industry. Somewhere in this territory we are sure there is a site that is tailor-made for your business. We will be glad to help you find it.

As the pioneer railroad in this area, we are intimately acquainted with the communities in the eight states we serve and can furnish any information you want.

Our people have been helpful to many companies that have already expanded into these states. Executives of these companies will tell you that we can be trusted with the most confidential plans.

Please do not hesitate to write us. I assure you that your inquiry will receive careful attention and will be treated with strictest confidence.

W. W. HALE
Vice-President, System Freight Traffic
Southern Pacific Company, 65 Market St.,
San Francisco 5, California

S·P

The friendly Southern Pacific

How to start a
**PROFITABLE
BUSINESS**
of your own
and

Keep it a going success

What does it take to start your own business, right, so that you can make a go of it?

HERE are the answers—a really informed, authoritative book by a business and marketing consultant of international reputation, outlining for you the things you want to know, the things you have to do, to go into business for yourself with every possible chance for success!



**GOING INTO
BUSINESS FOR YOURSELF**

By O. Fred. Rost, Editor of Wholesaler's Salesman. 334 pages, 5 1/2 x 8, 19 illustrations, \$3.00

STARTING from scratch by helping you decide the business to which you are best suited, this book guides you step by step through the problems of financing, legal aspects, choosing the location, bank dealings, records insurance, etc., and gives sound, constantly helpful pointers on buying and selling. Finally, it gives actual thumb-nail sketches of performance records in twenty-four types of businesses that have proved to be successful.

American Business says: "Containing more factual information of value than ten ordinary books on this subject this 334 page volume tells more about retailing than any other book we have ever read . . . the book gets down to cases right at the jump-off and from there on every page contains something the man going into business ought to know—and something which only about one in ten does know."

N. Y. Times says: "Many and varied are the items of information in this elemental volume for the person about to go into business for himself."

Chicago Tribune says: "If you are planning a business of your own this book is your best bet for success."

Chicago Sun says: "The casualties among the new crop of enterprisers would be drastically reduced if each of them could be persuaded to read Rost's timely book before starting out."

Canadian Business says: "Seldom have we come across such a useful book for anyone going into business for himself."

SEE IT 10 DAYS FREE • MAIL COUPON

McGraw-Hill Book Co., 330 W. 42 St.,
New York 18

Send me Rost's **GOING INTO BUSINESS FOR YOURSELF** for 10 days' examination on approval. In 10 days I will send \$3.00 plus few cents postage or return book postpaid. (Postage paid on cash orders.)

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For Canadian price, write: Embassy Book Co.,
12 Richmond St. E., Toronto 1

PRODUCTION

Porcelain Enamel Modernizes

Improved techniques offer prospect of wider markets in housing and industrial fields. Manufacturers told colored finishes soon will be possible by single-dip process.

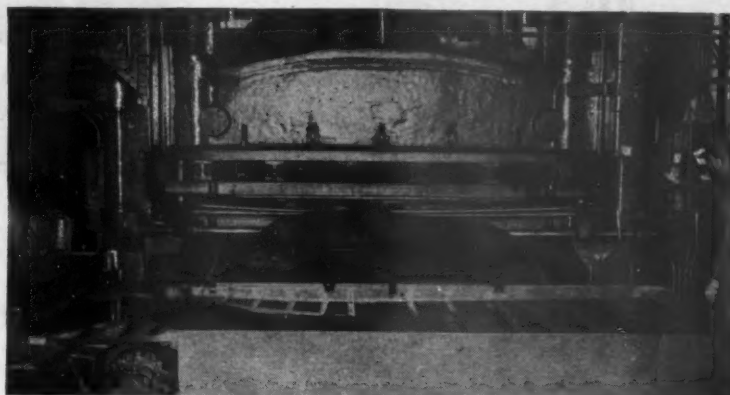
Although a vast amount of porcelain enamel has gone into bathtubs, wash basins, and stoves over the years, industry leaders have been increasingly disturbed about future markets. Baked enamel, stainless steel, and plastics have encroached on porcelain enamel's traditional field.

But Porcelain Enamel Institute members recently heard some sweet music at their annual convention in French Lick, Ind. New and improved techniques and new applications, they were told, may enable them to recapture old

markets as well as to secure new ones.

• **What It Is**—Porcelain enamel is essentially a form of glass which has been fused to a metal base by intense heat. As practised by the industry with few changes for decades, the process involves application of a ground or binder coat and one or more finish coats. The product is fired at temperatures of 1,500 F to 1,700 F after each coat. This gives the material its hard, glassy, durable finish.

Porcelain makers have long known how to obtain a satisfactory dark enamel



Labor-Saving System for Press Shops

A mechanization scheme worked out by Ford Motor Co. engineers for one of the company's huge blanking presses forecasts labor savings in press-shop operation. A combination of feeding mechanism, press, conveyor belt, and automatic ejector feeds steel from coils of wide strip, blanks it out to the required dimensions for an automobile body section, and moves it to straightening rolls. No manual assistance is needed.

• The coil of strip is mounted on a revolving drum that feeds it into the side of the press. Rate of feed is synchronized with the rate of press operation. The blank—a metal piece cut to the desired size—is punched out in a conventional manner. Suction cups attached to the male die lift the

blank as the ram goes up, and the strip feeds in again. The blank is then released over a moving rack, carried forward to a slide, and delivered to a belt conveyor. The conveyor feeds the blank into the straightening rolls.

• Ford engineers have been considering a department of automatic machinery to study conveyor handling of material between machines and automatic feeding and ejection. They must face these problems:

(1) Many of the heavy presses would have to be relocated for maximum benefits.

(2) In a completely mechanized shop, the entire system would have to shut down in event of any stoppage.

Shaping Industrial Prosperity through

RAILWAYS

MAINTENANCE OF ROLLING STOCK



CONSTRUCTION OF RIGHT OF WAY



TRACK MAINTENANCE



14-914

"Railroad prosperity depends on national prosperity and a high rate of production. Beset with complicated problems involved in reconversion and with prospects of keen competition, the railroads are determined to maintain their position as the one indispensable mass transportation agency."

From an article in *Railway Age* by Dr. Julius H. Parmelee
Director, Bureau of Railway Economics

"I've Been Working on the Railroad" is more than a quartet favorite—it's a reminder of the courage and ability of those who pioneered and developed, and of those who operate the world's greatest transportation system. . . . Greatest, because with only six per cent of the world's population and six per cent of its area the United States has nearly 30 per cent of the world's railway mileage. . . . Greatest because these tracks carry more than 50,000 trains daily, delivering men, food, mail and materials when and where needed—the world's greatest volume of transportation.

All of which means that the railroads are among the biggest purchasers of all types of equipment.

One person in every one hundred of our population is "Working on the Railroad." Nearly 900,000 are stockholders. These people and their families are a tremendous market for all kinds of goods and services.

Yes, the growth, maintenance and prosperity of our railroads is of extreme importance to our greater National Prosperity.

INGERSOLL-RAND equipment will continue to serve the railroads as it has for three-quarters of a century. I-R air-operated tie tampers revolutionized track maintenance methods. Compressors, air tools, pumps and other machines serve the railroads and those manufacturing railroad equipment.

Ways to do it

TIE TAMPERS • ROCK DRILLS •

CENTRIFUGAL PUMPS •

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AIR COMPRESSORS • OIL ENGINES

Ingersoll-Rand

11 BROADWAY, NEW YORK 4, N. Y.

BUILDING YOUR BRIDGE TO TOMORROW... AT ROEBLING!



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That mighty bridge you'll drive across in 1955—a finer yet tougher cable to control hurtling rocket ships—super-steel wire for endless electronic parts...

Roebling engineers are developing, analyzing, testing them *right now*.

Ideas grow into blueprints. Scale models are built. Grueling tests are made again and again. Then—when every last doubt is gone—a new product is born, a better bridge is built.

It is this probing, exploring yet practical-minded engineering that people mean when they say "Roebling". If your problem involves wire products—from bridge cables to valve spring wire—you'll find the right answer faster with the help of Roebling Engineers.

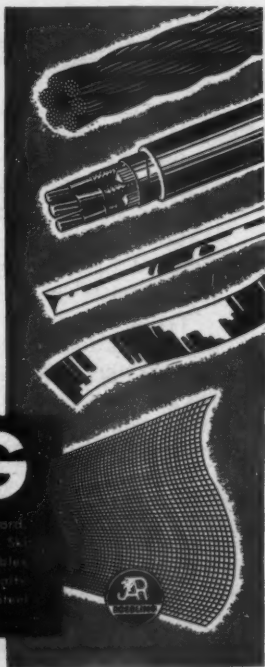
JOHN A. ROEBLING'S SONS COMPANY
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ROEBLING

Manufacturers of Wire Rope and Strand • Fittings • Slings • Aircraft
Aircraft Terminals and Air Controls • Aerial Wire Rope Systems • Sky
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Hard Annealed or Tempered High and Low Carbon Wire and Springs
Wire, Flat Wire, Cold Rolled Strip and Cold Rolled Sintering Steel
Specialty Hardware and Industrial Wire Cloth • Lawn Mower

PACEMAKER IN WIRE PRODUCTS

One of several experimental bridge models now being tested in the Roebling laboratories. Here the stress on individual cable members is gauged and recorded for further study.



with a single coat. The hope is that the single-dip process can be extended to the increasingly popular light-colored and white enamels.

This hope now appears certain of fulfillment. It entails two improvements:

(1) A better steel sheet of proper surface finish and composition so that the enamel will adhere in a single dipping.

(2) A suitable frit. (This is a semi-fused, stony mass containing silica, alumina, and alkalis. It is reduced to a powder and mixed with water and other ingredients to form the dipping mixture.)

• **Progress**—Inland Steel Corp. announced some time ago that it had developed an improved steel sheet. Carnegie-Illinois, American Rolling Mill, and Youngstown Sheet & Tube are known to have made considerable progress in the same direction.

Practically all these companies have worked with titanium as an alloying material to give sheet steel the desired properties. Some are experimenting with cerium, one of the rare earths, for the same purpose.

Most porcelain enamel producers do not formulate their own frit. Almost without exception they depend on four principal frit makers for the stock that goes into colored enamels. The frit makers have promised a suitable single dip material whenever the steel suppliers are in position to provide the proper steel.

• **Fusing Methods**—New methods of applying the porcelain enamel to the metal base are being adopted rapidly. Spraying has been found preferable in many applications. And the possibilities of electrostatic spraying (BW—Jan. 13 '45, p. 58), where thin coatings are desirable, are not being overlooked.

Still another promising development is the use of continuous furnaces which might reduce the time required to fuse the enamel to its metal base.

• **Market Outlook**—With savings made possible through such developments as the one-dip sheet, enamellers see an excellent chance to regain lost business. An example here is domestic refrigerators, now converted to baked enamel paint surfaces. Improved manufacturing processes also may enable the porcelain industry to meet the challenge of stainless steel in the chemical, food processing, hospital, and institutional equipment fields.

Beyond all this, the industry sees new markets opening up. Biggest of these is building construction. Higgins Industries, Inc., has announced a method of using porcelain enamel sheets for exterior and interior walls, with the space between filled with a special lightweight cement (BW—Feb. 23 '46, p. 20).

Sign boards, air markers for aviation,

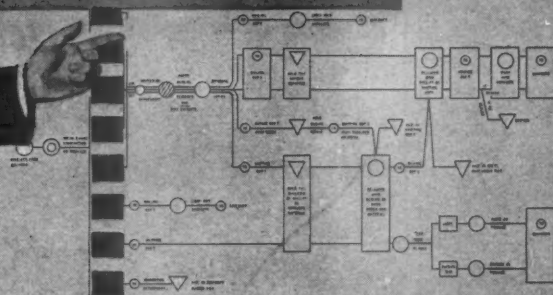
"Record Speed" for Lionel Trains stepped up five times



- Factory service records completed in 3 minutes instead of 15.
- 6 separate writings reduced to 1 ... 14 copies to 8 ... filing cut in half.
- Annual direct savings of 5 figures.
- Better, faster customer service with improved control of all operations.

Typical case, typical results, when Standard Register turns paperwork into working papers.

PROCEDURE
FLOW
CHART



Standard Register's exclusive methods save most where record systems cost most

WHY are more and more leading companies calling in Standard Register to overhaul existing record systems? Because they're looking for *big* savings... important savings. And they know that Standard's exclusive, pre-tested procedures are designed specifically for that purpose.

Standard begins by analyzing and flow-charting existing routine... searching out, by pre-tested procedure, form design that makes needless work, methods of writing and using forms that cause needless delays.

Recommendations based on this study generally bring not only 4 and 5 figure direct savings in the cost of completed records but also almost incalculable savings in the over-all cost of operations through better management control.

Phone The Standard Register Co. Sales Office in your city, or write, today, for your copy of "Paperwork Sim-

plication" which shows how Standard's Kant-Slip Continuous forms systems can reduce important *business* costs.

WHERE DO SAVINGS COUNT MOST?



Not in the price of printed forms. A difference in the quality of paper, printing, carbons, etc., may mean a few hundred dollars at most.



Not even in the cost of completed records ... although the cost of writing, handling and using forms is 10 to 50 times the forms' cost ... savings here may run into 4 or more figures.



But in the cost of business operation, if waste, delay, inefficiency exist, SAVINGS here, through better management control, can reach almost incalculable figures!

THE STANDARD REGISTER COMPANY

Manufacturer of Record Systems of Control for Business and Industry
711 CAMPBELL STREET, DAYTON 1, OHIO

Pacific Coast: Sunset McKee-Standard Register Sales Co., Oakland 6, California. Canada: R. L. Crain Limited, Ottawa. London: W. H. Smith & Son, Ltd.



Watchman slept here
—while **FIRE** destroyed
Factory upstairs!

He would have been a good Watchman—
had he been rigidly supervised by a DETEX
Watchclock System.



Is your Watchman
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You'll never know
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See what's newest and best in all types
of heating, ventilating, air conditioning
and related equipment. Talk to engi-
neering specialists—men specifically on
hand to help with your problems.

You can't afford to miss this first Air
Conditioning Show in seven years . . .

Save the date . . . Plan to attend.

and transformer cases for the electrical
industry are other possibilities.

• **More Resistance**—Significant, too, is
the comparatively recent development
of a porcelain enamel capable of with-
standing high temperatures and pres-
sures for long periods. This has led to
its use in lining pots for melting and
casting light metals.

In this same category is its use for
automobile mufflers and exhaust pipes.
This development stems from success-

ful wartime installations on submarines.

• **Problem**—Industry members wince
when chipping is mentioned as a pos-
sible obstacle to wider use of porcelain
enamel. They will have you understand
that it does not chip. What happens,
they say, is that the base metal yields
under impact, causing the porcelain
enamel to flake off.

But whether it's chipping or flaking,
this characteristic is getting plenty of
attention from researchers.



Production Emphasized at Metal Show

Visual proof that metals men are
getting more "production-conscious"
was evident at the Metal Congress
& Exhibition held at Atlantic City
last week.

• **Two Aids for Stainless**—One big
attention-getter was Arcos Corp.'s
Oxyarc process for flame-cutting
stainless and alloy steels and nonfer-
rous metals. The process uses a pin-
point of heat generated by an electric
arc in a stream of oxygen. Like Air
Reduction Co.'s flux-feeding process
(BW—Nov. 16'46, p64) the method
cuts fabricating costs.

A vinyl plastic coating, sprayed on
stainless sheets before the forming
operation, is said to aid drawing, pre-
vent die and draw marks, and protect
the surface during shipment. The
coating, called Liquid Envelope, is
manufactured by Better Finishes &
Coatings, Newark 5, N. J.

• **New Products**—Among the many
new machines (pictures) were:

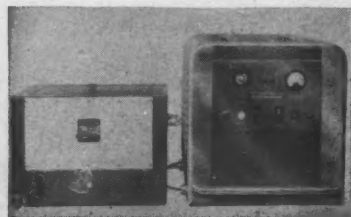
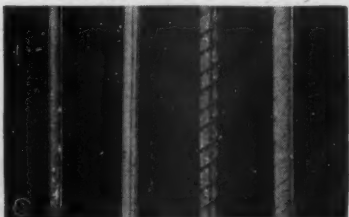
(1) Progressive Welder Co.'s bat-
tery-powered flash welder, said to be

less critical as to control require-
ments than conventional designs.

(2) The Tocco heat gun, a porta-
ble induction heating tool manufac-
tured by Ohio Crankshaft Co., brings
the heat to the work. It is said to
be adaptable to large cumbersome
assemblies where many spot heats
are required, and to short production
runs where special inductor coils for
each part would be uneconomical.

(3) A new electrode designed for
automatic welding was displayed by
National Cylinder Gas Co. The pic-
ture shows the rod in four stages of
manufacture (left to right): plain
round core rod; core with fin forma-
tions; helical wire wrapping applied;
and completed with flux coating.

(4) Brazing and soldering in small
and medium-sized operations are re-
portedly speeded with Radio Corp.
of America's new 1-kw. electronic
power generator. According to RCA,
use of the device in its Camden
plant raised output of condensers
2,500%.





"Have Chase ship the first part of that order from the warehouse"

IF you're a Chase customer, you know Chase has more than one way to keep production lines rolling.

When Chase mills take an order...for a carload of condenser tubes or 50,000 pounds of sheet brass...they'll do everything possible to make delivery on schedule.

For instance, if you need a few tubes in a hurry, they can probably be shipped from a Chase warehouse stock to tide you over

until the larger mill order is completed.

It isn't easy to provide top-notch service today because of shortages. But, when you call Chase, you're drawing on a nationwide network of warehouses, mills and factories. That's why you can count on Chase for everything in brass and copper.

Chase Brass & Copper Co. Incorporated, Waterbury 91, Conn. A subsidiary of Kennecott Copper Corporation.

Chase



the Nation's Headquarters for
BRASS & COPPER



MILLS

FACTORIES

WAREHOUSES

The brush-Off that paid off

A SHORT TIME AGO one of our salesmen got the brush off; he lost an important order that he was very anxious to get. He had helped work out a method of using Osborn brushes which increased his customer's operating efficiency. The customer adopted the idea but he bought a competitor's product because Osborn's price was, or so it seemed, 50% higher.

Our man found it pretty hard to believe that his price was so far out of line, so he did some investigating. Osborn's price was indeed higher (47¢ per brush section as against 30¢)—but operating comparisons showed the Osborn brushes gave three times the service.

The legitimate comparison therefore was 47¢ against 90¢, in Osborn's favor. That original "brush off" is going to pay off now—for both Osborn as supplier and the Customer as user—because it caused the investigation which showed up the true costs involved.

Whenever you have an operation where power brushing can help speed production, improve product, and lower costs (practically all manufacturers have them!)—it will pay you to check Osborn, the world's leading industrial brush maker.

THE OSBORN MANUFACTURING COMPANY
5401 Hamilton Avenue Cleveland, Ohio



WORLD'S LARGEST MANUFACTURER OF BRUSHES FOR INDUSTRY

NEW PRODUCTS

Paint Blender

Color Bar, a product of Arco Co., Bessemer and Clarke St., Cleveland 4, is a paint mixing machine which fits into a 29-in. square of floor space. The unit holds 16 one-gallon cans on two motor-driven revolving turntables. Rotation of the drive shaft propels stirring mechanisms inside each can to pre-mix colors.

Mechanical controls, and combination cut-off valves and air vents, are in-



cluded. All pouring is done from a single position. Mounted in an enameled steel cabinet, Color Bar has built-in lighting, label racks, shelves and an easel for formula books, and inclosed storage for 32 one-gallon cans.

Availability: deliveries dependent on procurement of motors.

Gas Power Unit

A single-cylinder, air-cooled, gasoline engine is now offered by Ellinwood Industries, 150 W. Slauson, Los Angeles 3. Called the "4-Plus," the engine is said to develop more than 4 hp. at altitudes of 10,000 ft. or less. The unit has a half-speed drive which reportedly allows full horse-power at one-half normal crankshaft speed.

A clutch and reverse gear assembly is available for installation in farm and marine equipment. This eliminates the need for reduction gears, clutches, and a supplementary transmission. The engine features pressure lubrication, carbon-

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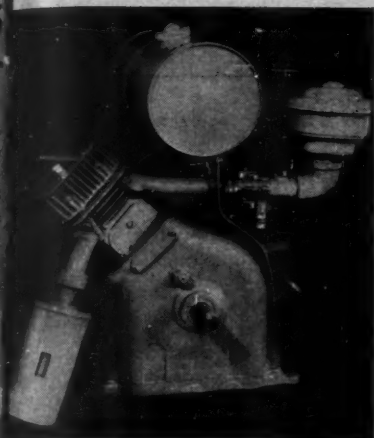
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steel valve springs, forged aluminum connecting rods, and a cast aluminum alloy cylinder head. It has replaceable bearings on crankshaft, camshaft, and connecting rods. An oil bath air filter and multiple baffle muffler are included. The cast aluminum piston has a 2½-in. bore and 2½-in. stroke.

Availability: deliveries beginning Dec. 5.

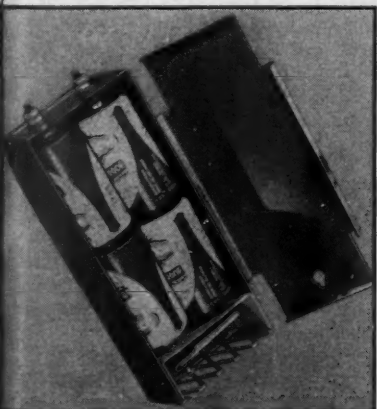
Textile Chalk

A new textile marking chalk which reportedly will not set when in contact with water, steam, or chemicals, is announced by Uxbridge Worsted Co., Uxbridge, Mass. The makers report that the chalk, available in nine colors, may be washed from textiles by warm or cold water, or by various scours. The product will be marketed under the trade name of Easy-Rid Textile Chalk.

Availability: immediate delivery.

Fire Alarm

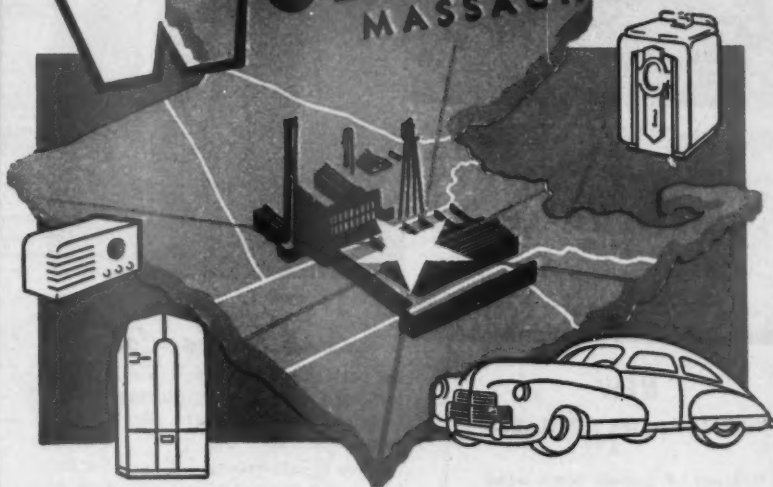
Detect-o-Larm, an alarm for showing sharp increase in temperature, is announced by Turner Brothers, Inc., 2625 Hilton, Ferndale, 20, Mich. The detector, inclosed in a red-enameled steel case, consists of a thermostatic switch powered by four flashlight batteries. The



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WORCESTER

MASSACHUSETTS



Shopping Center FOR INDUSTRY

Whatever your component parts — castings, forgings, stampings, screw products, plastic mouldings — you can buy them from the 600 diversified industries located in Worcester. Build your branch plant here to avail yourself of these excellent suppliers and to achieve low-cost distribution to the multi-billion dollar New England market.

The recent general increases in freight rates mean real competitive advantages to the manufacturer who opens branch plants in rich markets such as New England.



Write the Worcester Chamber of Commerce for a new brochure describing why Worcester is the Logical Branch Plant Center for New England.

WORCESTER

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THE CONTAINER IS "PART OF THE PRODUCT"



... NATURALLY

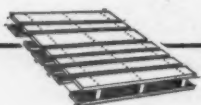


GENERALLY.....

NEW

"GENERALIFT" PALLETS

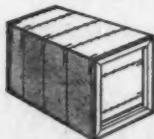
Millions of pallets were used by the armed forces. They saved from 50% to 90% in materials handling. We are now in full production of pallets for all industry. Our engineers will design a pallet best suited to your specific needs. Write today for Pallet Book.



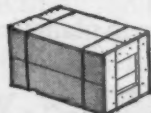
"Generalift" Pallet



General Corrugated Box



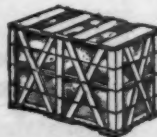
General All-Bound Box



General Nailed Box



General Cleated Corrugated Container



General Wirebound Crate

Write today for your free copy of booklet on GENERAL'S "Part of the Product" Plan.

ENGINEERED SHIPPING CONTAINERS

General BOX COMPANY

GENERAL OFFICES: 502 N. Dearborn St., Chicago 10, Ill.
DISTRICT OFFICES AND PLANTS: Brooklyn, Cincinnati, Detroit, East St. Louis, Kansas City, Louisville, Milwaukee, New Orleans, Sheboygan, Winchendon.
Continental Box Company, Inc., Houston, Dallas.

Look to the Lobster for perfect product protection... and look to General for engineered shipping containers that are also a "Part of the Product."

They're laboratory designed for the better, more economical shipment of today's modern products. Better because they're compact and often reinforced with blocking and interior protection. More economical because they're lightweight and quickly and easily assembled. Result: conservation of space, saving of shipping costs and man-hours, and speeding of production.

Our engineers are broadly experienced in the design of shipping containers for all types of products. They will also be glad to help you design a shipping container that is really worthy of your product... that is actually a "part of your product."

Write today for more information on this important subject. Remember, don't just put it in a box... put it in a General Engineered Shipping Container.

detector is placed in the potential fire area and wired to a bell located elsewhere. When the heat rises to the temperature preset at the detector, the switch is actuated.

Availability: delivery in three weeks.

Thermal Control

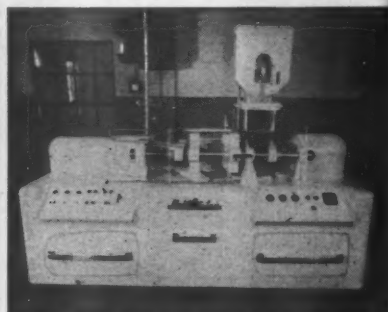
Designed for close temperature control on high-speed battery charges, a new immersion type thermostat is being marketed by United Electric Controls Co., 71 A St., South Boston. The device is said also to control temperatures of strong liquids, gases, and hot plates. It is normally supplied with a Neoprene sleeve which protects it from most caustics.

The thermostat, identified as MI, is rated at 1,000 watts, 110 volts, a.c. noninductive. The on-off differential is 3 deg. The control is adjustable between zero and 250 F.

Availability: delivery in two to three weeks.

Plastic-Molder

Injection molding of thermoplastics at pressures of 3,000 to 8,000 lb. per sq. in. is said to be possible with a new machine manufactured by Crown Machine & Tool Co., 2800 W. Lancaster Ave., Fort Worth 7. A 15-hp. mo-



tor, which is said to unload to 7½ hp. during the greater part of each molding cycle, operates the unit. Weighing approximately 5,500 lb., the machine may be operated manually, semiautomatically, or fully automatically. It is hydraulically powered and electronically controlled.

Availability: delivery in four to six weeks.

Laboratory Furnace

Designed to furnish automatically controlled temperatures up to 3,100 F., the new laboratory box furnace announced by General Electric Co., Schenectady, N. Y., is said to be suitable for melting and bright annealing of metals, sintering of powdered metals, reduction of metallic oxides, ceramic firing, and copper- and silver-alloy brazing. The furnace is limited to operations

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performed in a protective atmosphere. The molybdenum-rod heating units reportedly rated 20 kw., 65 v. single-phase at 3,100 F, are supported inside a heating chamber 4 in. x 25 in. x 4 1/2 in. The chamber, which has a removable top, is lined with refractory brick backed with heat insulation. A cooling chamber is included in the unit.

Automatic temperature control is provided by a standard-type instrument on the control panel, operating from a radiation thermocouple focused on the exterior wall of the heating chamber. Availability: first delivery in five months; shortened delivery time thereafter.

Electric Air Cleaner

A household air cleaner, designed to remove 85% to 90% of all air-borne dust in an average-sized home, is announced by Westinghouse Electric Corp., Hyde Park, Mass. The manufacturer claims it is effective even against tobacco smoke particles as small as 1/250,000 in. in diameter.

The 115-volt, a.c. unit, named Prepitron, will be available either in a refrigerator-size cabinet model or built into a furnace unit by furnace manufacturers.

Air to be cleaned passes first through a gate of tungsten wires and aluminum tubes where dust particles become charged positively or negatively. The air then passes through a dust collecting cell of 69 aluminum plates alternately charged positively and negatively. Here the charged dust particles are attracted to the oppositely charged plates.

A water supply and drainage outlet are required, along with air ducts to fit the unit into the heating or ventilating system. The cabinet is of rust-resistant steel, finished in gray.

Availability: in limited quantities beginning, Dec. 15.



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For your correspondents' convenience and your own staff's best work, use Hamilton Business Papers for all your office requirements.

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HAMILTON PAPERS



This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

NEW ISSUE

\$30,000,000

HIRAM WALKER-GOODERHAM & WORTS LIMITED
and
HIRAM WALKER & SONS, INC.

Twenty Year 2 $\frac{3}{4}$ % Debentures
Due November 1, 1966

Price 100% and accrued interest

Copies of the Prospectus may be obtained from such of the several underwriters, including the undersigned, as may legally offer these securities in compliance with the securities laws of the respective States.

SMITH, BARNEY & CO. KIDDER, PEABODY & CO.

November 19, 1946.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these shares. The offer is made only by the Prospectus.

James Lees and Sons Company

30,000 Shares 3.85% Cumulative Preferred Shares
(\$100 par value)

(The Company is making an exchange offer as to 14,399 of these shares)

203,833 Shares Common Stock
(\$3 par value)

Price of the Preferred Shares \$102.50 a share
and accrued dividends

Price of the Common Stock \$26 a share

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these shares in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO.

BLYTH & CO., INC.

DREXEL & CO.

EASTMAN, DILLON & CO.

THE FIRST BOSTON CORPORATION

HARRIMAN RIPLEY & CO.
Incorporated

KIDDER, PEABODY & CO.

MERRILL LYNCH, PIERCE, FENNER & BEANE SMITH, BARNEY & CO.

Dated November 21, 1946

FINANCE

(THE MARKETS—PAGE 102)

Dividend Harvest

High level of corporate earnings is expected to bring flood of payments in December. Tax warning may affect trend.

December has always been the year's most fruitful period for corporate dividend payments. This has become especially true over the last decade or so. It's been normal in recent years for December payments to run some 2 $\frac{1}{2}$ times the monthly average. And in the five years ended with 1945, December disbursements to stockholders accounted with great regularity for about 20% of the annual dividend totals.

• **Sweetening Expected**—This situation isn't surprising. December is an important quarterly payment date for "regular" dividends. Since 1929, many companies have gradually acquired the habit of paying very conservative regular quarterly or semiannual dividends. They sweeten up stockholders with a "extra" in December after it has been possible to determine with some degree of accuracy the probable size of the year's profits.

This year Wall Street has been well pleased as a large number of companies topped January-September dividend (box, page 73). That trend, however, has only served to whet its appetites.

As a result, the Street is going to be very disappointed if there isn't a virtual flood of December payments. With 1946 corporate profits likely to come close to hitting \$12 billion, the highest in history (page 37), unusually generous Christmas treatment is anticipated for many stockholders.

• **Street Is Optimistic**—Particularly anticipated by the financial district, unless John L. Lewis has upset the apple cart, are handsome year-end dividend declarations by the many companies in the chemical, tire and rubber, textile, drug, paper, motion picture, building supply, food, and retail store fields. These are among the industries scoring sensational postwar earnings gains.

The Street doesn't expect any material change on the disappointing side in the recent dividend policies of those important industries that haven't been doing too well this year.

Thus far, declarations of December payments have been coming along at a satisfactory rate. One trade that hasn't disappointed bullish dividend-forecasters this year is the tire and rubber man-

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Painting by Howard Baer—"Tea Pluckers near the Himalayas"

India Pours the Tea

MODERN India supplies important foodstuffs and industrial raw materials. She grows and exports more tea than any other country. She is the world's largest supplier of jute and burlap, shellac, and mica. As a producer of cotton, oil seeds, manganese, and rice, India ranks second in the world.

Although some ninety per cent of the 400 million people live on the land, India has become an important industrial nation. Before the war, half of her industrial workers were employed in textile industries, but many new industries have grown rapidly since then, including chemicals, engineering, paper, and heavy industries.

In 1945 we imported \$173 million worth of Indian products, more than from any other country outside of Latin America.

Through India's great trade centers—Bombay and Calcutta—flows the unceasing stream of commerce daily, aided by two major branches of The National City Bank. All 45 units in this unequalled worldwide banking system provide essential financial services to business men.

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Chester R. Leaber, Manager at Bombay, is another example of why and how National City expert-staffed foreign service benefits the Bank's customers. Mr. Leaber's entire 26-year business life has been devoted to the bank in nine different foreign branches, twelve of the years in India.

ACTIVE OVERSEAS BRANCHES

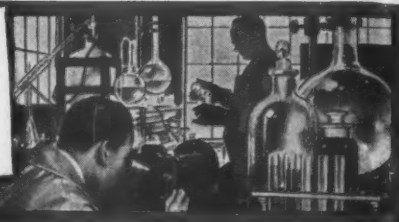
ARGENTINA Buenos Aires Floras Plaza Once Rosario	CHILE Santiago Valparaiso	MEXICO Mexico City
BRAZIL Rio de Janeiro Pernambuco Sao Paulo Sao Paulo	CUBA Havana Cruzeiro Caminos Cienfuegos La Loma Colombien Cardenas Manzanillo Matanzas Santiago	PARAGUAY Lima
CANAL ZONE Balboa Colonel	ENGLAND London 117, Old Broad St. 11, Waterloo Place	PHILIPPINES IS. Manila
CHINA Shanghai Tientsin	INDIA Bombay Calcutta	PUERTO RICO San Juan Arecibo Bayamon Caguas Mayaguez Ponce
HONG KONG	JAPAN Tokyo (limited)	REP. OF PANAMA Panama
COLOMBIA Sogota Barranquilla Medellin		SINGAPORE
		URUGUAY Montevideo
		VENEZUELA Caracas

Every 3 seconds a customer is served overseas



Can you answer these questions about

DIABETES?



Q. Is Diabetes increasing



or decreasing?

A. If present trends continue, the number of diabetics in this country will increase by 18% from 1940 to 1950, largely because more people live to reach middle and old age. Fortunately, doctors today can help control the disease; in fact, nearly all diabetics aided by modern medical science can lead full, active lives. Since the discovery of insulin, the average length of life of diabetics has increased greatly.

Q. What new studies



hold great hope for the future?

A. Medical science knows more about diabetes than ever before, and constant research on new types and more effective combinations of insulin is being carried on. A chemical compound, alloxan, which can produce experimental diabetes in animals, has provided a new means for studying the disease. Further hope for progress lies in new discoveries about the utilization of sugar in the body.

Q. Does diabetes have warning



symptoms?

A. There are usually no symptoms in early diabetes. Before symptoms develop, the disease can be detected by the presence of sugar in the urine. That is why periodic health examinations, including urinalysis, are the most effective way of discovering the disease early, when it is easiest to control. Once the disease has developed, definite symptoms appear, such as constant hunger, excessive thirst, loss of weight, and continual fatigue.

How can medical science help the average diabetic?

Diet, insulin, and exercise are the major factors in controlling diabetes. Successful treatment depends upon the closest co-operation between doctor and patient in keeping these factors in proper balance.

The physician determines whether the patient needs insulin and how much, as well as the amount and kinds of food that best meet his needs. The patient acquires an intelligent understanding of

his disease, learns how to live with it, and conscientiously follows the doctor's instructions for keeping it always under control—thus guarding against complications that affect the arteries, heart, kidneys, and eyes.

Even with diabetes, it is usually possible to enjoy a nearly normal life. For more detailed information about the disease, send for Metropolitan's free booklet 126-S entitled, "Diabetes."

TO VETERANS—IF YOU HAVE NATIONAL SERVICE LIFE INSURANCE—KEEP IT!

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Metropolitan Life Insurance Company (A MUTUAL COMPANY)

Frederick H. Ecker, CHAIRMAN OF THE BOARD
Leroy A. Lincoln, PRESIDENT
1 MADISON AVE., NEW YORK 10, N. Y.



TO EMPLOYERS: Your employees will benefit from understanding these important facts about old age. Metropolitan will gladly send you enlarged copies of this advertisement—suitable for use on your bulletin boards.

January-September Dividends Up 12.6%

Strikes, material shortages, reconversion, etc., have been exacting their toll on the postwar profits of quite a few corporations (page 37). Corporate dividends as a whole, however, have shown a sturdy consistent gain this year. The trend is shown in this compilation of the January-September 1946 dividend performance of 923 common stocks listed on the New York Stock Exchange.

As indicated in this table, com-

piled recently by The Exchange, Big Board house organ, over 40% of the companies involved could point to larger nine-month dividend disbursements than in the same 1945 period. Some 35% were able to maintain payments at their 1945 rate. Only 5% had been forced to cut dividends below year-earlier levels, and less than 4% of the companies had found it necessary or advisable to eliminate or defer disbursements.

Trade	Number of Issues	Dividend Payers		1946 Dividend Results			Approx. Amount Jan.-Sept. 1946		% Change 1946 vs. 1945
		1946	1945	Higher	Same	Reduced or Eliminated	1946	1945	
Amusements.....	20	18	16	14	4	0	\$34,598	\$18,757	+84.5
Automotive.....	65	47	54	18	23	13	127,298	149,130	-14.6
Aviation.....	24	16	15	8	7	2	22,106	13,446	+64.4
Building.....	25	20	19	10	9	1	15,023	12,457	+20.6
Office equip.....	9	9	9	5	4	0	14,269	12,096	+18.0
Chemical.....	72	68	67	41	22	5	197,369	165,565	+19.2
Electrical equip.....	18	16	17	5	8	4	52,360	50,718	+3.2
Farm machinery.....	6	4	5	3	1	1	16,334	15,182	+7.6
Finance.....	28	24	23	10	14	0	50,132	41,156	+21.8
Food.....	63	56	51	28	26	2	104,810	89,324	+17.3
Garment makers.....	6	5	5	1	4	0	2,004	1,954	+2.6
Leather, shoe mfrs.....	11	8	7	5	3	0	8,894	8,363	+6.3
Mach'y & metal prod.....	89	76	82	26	43	13	57,974	56,736	+2.2
Mining.....	35	26	24	8	16	4	57,875	53,785	+7.6
Paper, publishing.....	29	25	24	19	5	1	19,308	10,739	+79.8
Petroleum.....	40	36	34	20	15	2	197,752	172,938	+14.3
Railroad.....	77	47	47	12	31	5	153,246	138,385	+10.7
Retail store.....	71	65	64	53	8	5	121,875	84,189	+44.8
Rubber.....	10	10	10	9	1	0	17,207	12,634	+36.2
Shipbuilding.....	5	5	5	0	4	1	3,769	4,027	-6.4
Ship operating.....	6	5	4	3	2	0	4,093	2,588	+58.2
Steel, iron, coke.....	37	24	29	14	8	8	70,729	67,134	+5.4
Textile.....	30	26	24	20	6	1	22,434	14,797	+51.6
Tobacco.....	19	17	17	4	12	1	38,675	39,421	-1.9
Transportation.....	4	3	2	2	1	0	764	305	+150.5
Utilities.....	60	46	45	19	25	3	253,921	239,137	+6.2
U.S. companies operating abroad.....	24	12	12	5	3	5	29,185	27,549	+5.9
Foreign companies.....	15	12	13	2	8	3	44,165	44,063	+0.2
Other companies.....	25	20	18	12	7	2	12,991	9,002	+44.3
Totals.....	923	746	742	376	320	*82	\$1,751,160	\$1,555,577	+12.6

* Payments reduced on 50 issues, eliminated or deferred on 32 issues.

ufacturing group. Three of that industry's Big Four have already declared 1946 dividends double those of 1945. • Tire Company "Extras"—After recently hiking its quarterly dividend rate from 75¢ to \$1, B. F. Goodrich Co., for example, will pay stockholders a \$1 year-end "bonus," or \$4.50 in all for 1946 compared with 1945's \$2.25.

Goodyear Tire & Rubber Co., which paid 50¢ quarterly and no extra in 1945, has upped its dividend rate twice since then, and will pay \$1 extra in mid-December. As a result, \$4 will be paid this year, compared with 1945's \$2.

United States Rubber Co. has declared \$4 of dividends this year, including \$1 extra payable Jan. 6, 1947, vs. only \$2 in 1945.

• Sharp Increases—There are similar sharp uptrends under way in the chem-

ical and drug fields. Du Pont will pay a \$2.25 mid-December common dividend sending the year's total to \$7, against \$5.25 in 1945. A 60¢ extra dividend to be paid next month will bring Bristol-Myers Co.'s 1946 disbursements on its common to \$2.15, vs. 1945's \$1.25.

An equally good record is being chalked up in the textile and retail store trades. Stockholders of Patchogue-Plymouth Mills, for instance, have already received \$6 in 1946 dividends, compared with \$3 in 1945, and a \$3 extra has just been ordered. Marshall Field & Co., which disbursed \$1.10 a share to holders of its common last year, has already paid \$2 in 1946 and a \$1 year-end is confidently expected in various Wall Street quarters.

• Ratio Changes—Whether total 1946 dividend disbursements will reach the

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DESICCITE* is the new highly efficient, low-cost drying agent. A small quantity placed inside an adequately moisture-proof package or shipping container protects the contents. • Products "Dry Packed" with Desiccite are protected against damaging moisture. Metal products reach the ultimate user free from damaging corrosion — bright with "Factory Fresh" sales appeal. • Foods retain their freshness, crispness and taste. • Filtral Engineers will gladly consult with you on your packaging problem. Write today for sample and full information.



Dry Pack with DESICCITE*

GRADE "A"

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PLANTS: Vernon, Calif. and Jackson, Miss.

*Reg. U.S. Patent Office

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

70,000 Shares

Kimberly-Clark Corporation

4% Convertible Second Preferred Stock (Cumulative)

(Par Value \$100 per Share)

Price \$101.50 per Share

(plus accrued dividends from November 1, 1946 to date of delivery)

Copies of the Prospectus may be obtained in any State from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

Lehman Brothers

The Wisconsin Company

Hallgarten & Co.

November 21, 1946.

Today's Market for Senior Securities

Although idle capital must seek employment lest it eventually consume itself, it does not necessarily follow that new financing is automatically assured of success.

- The wage paid for new funds must *attract* the lender as well as be fair to the borrower.
- The medium through which new money is obtained must be *attuned* to demand—which changes with the times.

Currently, for example, new financing via senior securities finds a more receptive market—offering the issuer the twin advantage of:

- A lower rate on his needed capital than is otherwise possible;
- A deduction before the computation of Federal income taxes.

The wide experience of Paine, Webber, Jackson & Curtis should be of great assistance to corporations in this postwar transition period. We are staffed both to provide the planning and counselling that must precede successful new security issues and to carry out their distribution to investors throughout the country. Conferences with any of our partners or managers are invited.

PAINE, WEBBER, JACKSON & CURTIS

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NEW YORK BOSTON CHICAGO DETROIT CLEVELAND PHILADELPHIA MILWAUKEE
MINNEAPOLIS AKRON CONCORD DULUTH ELMIRA GRAND RAPIDS HARTFORD
LOS ANGELES LYNN PROVIDENCE SPRINGFIELD ST. PAUL WORCESTER

peak now anticipated has Wall Street guessing. But the street is not overlooking the fact that January-August corporate dividends this year were over 15% larger than in the corresponding 1941 months (total 1941 disbursements were \$3.9 billion).

In 1929, the Dept. of Commerce reports, dividends absorbed about 69% of all corporate earnings. In 1939 corporations paid out almost 77% of their net, and 63.5% was disbursed in 1940.

In 1941, however, less than 48% of corporate net was paid out in dividends. Even smaller shares of profits accrued to stockholders in 1942 and 1943. The trend has been upward since. By 1945, however, only half the earnings of business generally reached shareholders.

• **Easier to Pay**—There are good reasons for the low wartime ratios: Corporations needed more cash to handle more business; they wanted to enter the uncertain postwar period with large resources; and they didn't want to invite public criticism by paying large dividends during the war boom.

So business generally emerged from the war with twice as much working capital as it had in 1939. With "moral restrictions" against dividends now gone, it might seem that corporate dividends of 50% to 60% of earnings could be paid without harm. This would mean \$6 billion or \$7 billion if net incomes aggregate \$12 billion.

• **A Tax Warning**—Such payments would break all records, but there is no chance they will be made; there still is too great a need for large corporate holdings of cash (BW—Nov. 16'46, p. 79).

However, the potentialities do have attraction in view of the special remainder corporations are going to get from the tax collector. When corporations fill out their 1946 tax returns they may have to do some explaining to the Bureau of Internal Revenue. If they retain more than 30% of this year's income, they must tell the exact reasons they failed to pay out at least 70% of earnings in dividends.

• **Aimed at Family Firms**—This stems from Section 102 of the Internal Revenue Code. It is, not new, but many persons forgot it during the war years. It was almost inoperative then because of the excess-profits tax.

Section 102 is aimed primarily at "family corporations" which might retain profits in the business rather than pay them to controlling stockholders in the higher tax brackets. It provides for special taxes of 27½% on "improper" accumulations of earnings of \$100,000 or less, and 38% for excessive reserves above that figure.

According to the bureau, this action does not foreshadow any attempt to crack down on corporations accumulating funds for "reasonable needs of business."



Complete employee data with Kardex visible job specification record assures effective handling of all personnel administration.



Efficient filing systems provide detailed information instantly. Kompakt Fasteners in folders segregate important personnel forms.

Man-Power Productiveness Responds to full use of



FACT-POWER



Checking references with Col-Velopes prepared by each applicant assures a high percentage of prompt and accurate replies.

● Profitable production—so largely dependent on dovetailing human aptitudes with job specifications—is greatly simplified when management possesses adequate “Fact-Power.”

Record-keeping systems and routines developed by Remington Rand are being used most effectively by many employers for this purpose.

These “tools” of administration assure reference to data needed in hiring or in considering promotions or transfers. They justify decisions, prove compliance with regulations,

and lead to higher morale and lower turnover among working people.

Possibly your personnel routines could produce better results at less cost, with these management control facilities. Ask us about them.



PRACTICAL PERSONNEL SYSTEMS

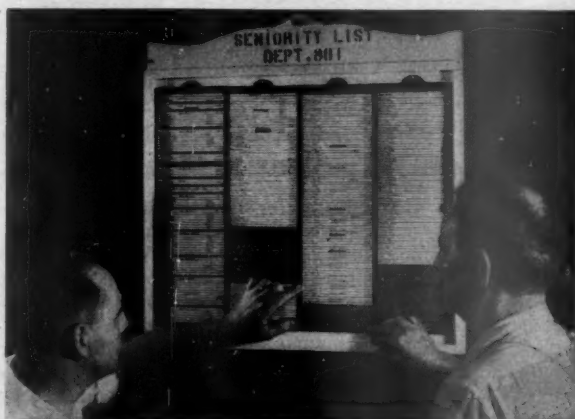
...with complete case history data, are described in our 88-page study “Personnel Administration . . . Records and Procedure.” Ask our nearest Branch Office for a copy.

SYSTEMS
DIVISION

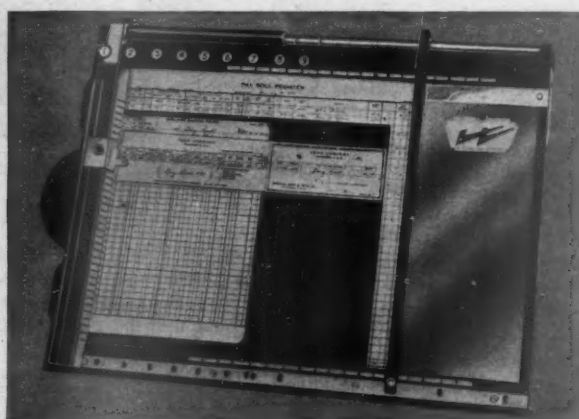
Remington Rand

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Payroll preparation with new Multi-Matic system assures accuracy and saves work. All records are completed in one writing!

SALES EXECUTIVE WANTED

The Job:

Full responsibility for all phases of one of our major clients' sales activities in order that this company's outstanding growth to date will not only continue but accelerate.

The Man:

Of truly executive caliber and substantial accomplishment; preferably now employed in similar capacity; in his thirties or early forties, of good education and pleasing personality; dynamic and aggressive; able to get along with people, develop creative ideas, win the loyalty of his staff, and whip up enthusiasm for the job to be done.

The Opportunity:

The right man in this job will be in a position to advance himself into the company's top management bracket. This presupposes a proved capacity not only as a sales executive, but as an able administrator with managerial ability.

The Company:

One of the largest and oldest in the beverage field, with an annual volume well over \$30,000,000.

The Location:

In the metropolitan area of Greater New York. The successful candidate for this position need not necessarily have achieved his present success in this area (though it would be helpful) but he must be prepared to make his home and work here. Familiarity with trade conditions in the New York area is a requisite.

Salary:

Commensurate with the responsibility and ability.

The client for whom we seek the applicant with the necessary qualifications will be disclosed to those who in our opinion may meet the qualifications outlined above

Please write in detail—do not telephone. We shall upon request keep any communications with us confidential

Young & Rubicam, Inc.

DEPT. EWS22

285 MADISON AVE., N. Y. 17, N. Y.

Two-Employee Railroad Pays \$5 Dividend

The little-used office of a little-known, but highly successful, railroad was unlocked last week for the annual meeting of stockholders.

Though it bears the imposing name of European & North American Ry., the line has but two paid employees. It operates no trains, although it is classified as an operating railroad by the government because more taxes can be collected that way. But the holders of its stock—468 of them as of Dec. 31, 1945—receive a regular annual dividend of \$5 on each of the 24,855 outstanding shares.

• **Important Link**—Trackage of the E.&N.A., which runs from Bangor to Vanceboro, Me., includes 118.5 mi. of main track and 48.31 mi. of sidings. The road is operated by the Maine Central R.R. as a part of its principal trackage, under a 999-year lease which dates from Apr. 1, 1882. All through trains from New York and Boston to Canada's Maritime Provinces use the E.&N.A. tracks.

Annual rent paid by the Maine Central is \$125,000, plus \$500 for office expenses, plus taxes. The tax payments are made under a clause

astutely inserted in the original lease agreement by Charles P. Stetson, a Bangor lawyer, whose son is one of the road's present directors. When federal income taxes really began to hurt, in the 30's Maine Central went to court to have the clause thrown out on the ground that a federal income tax could not have been contemplated by the original parties to the lease. The clause was upheld in its entirety by the Maine Supreme Court in January, 1938.

George F. Eaton, Bangor attorney, is president of the road. He and Harry B. Wyman, treasurer and clerk, are its only employees.

• **What the Name Means**—The E.&N.A. was chartered in 1850, officially opened in 1871. A dream of large-scale international traffic was responsible for its name. Because St. John, N. B., and Halifax, N. S., are hundreds of miles nearer to Europe than New York or Boston, it was thought that transatlantic passengers would prefer to cut down the ocean portion of the trip—this was 100 years ago, remember—by going as far as possible by rail.



Harry B. Wyman

George F. Eaton

SHARON STEEL EXPANDS

The fourth nonintegrated steel company in the Youngstown (Ohio) area to change ownership within three months is scheduled to be transferred soon. Brainard Steel Co. of Warren will become a part of Sharon Steel Corp. (BW—Sep. 21 '46, p. 22). Ratification of the sale by Brainard stockholders on Dec. 6 is expected.

Sharon, by paying approximately \$1,-

000,000 for Brainard, adds another link to the integrated chain it has been forming during the past few years. Brainard, to be operated as a separate unit, provides the answer to Sharon's worries over where to obtain sheets.

Purchase of Brainard gives Henry Roemer, Sharon president, a long-sought opportunity to expand in galvanized sheets and box strap.

Brainard will account for about 36,000 tons annually of Sharon's output.

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They tell the "inside" story interestingly

**... that's one reason SALES FILMS have
come to the top as an advertising medium**

Let's look beneath the surface: You have seen, in growing proportion, how advertisers trust promotion films with selling problems ... specific and abstract. Why?

Clearly, because they get results. And again, *why?* Because promotion films offer something no other

advertising medium can approach—they give prospective customers a foretaste of your product in use ... permit demonstration ... examination...enjoyment. It is a "plus" born of pictures, action, color, sound.

Big, bigger—how soon *biggest?* Startling improvements, in recent

years, have added to the impact and productivity of films in advertising. At your service are better production techniques, finer projection equipment, sounder distribution methods. Today's films are best yet ...

For fullest and most effective use of a powerful *modern* advertising medium, consult a commercial film producer. He has a thorough knowledge of basic selling approaches. Let him help you plan and produce a real *selling* story.

**Eastman Kodak Company
Rochester 4, N. Y.**

Sales Promotional Films

... another important function of photography

Kodak



Longer Life for ALL Floors— with COLSON CASTERS

Protect all types of floors—wood, cork, linoleum, and carpet—by specifying Colson quality casters for your portable equipment.

Colson casters not only reduce the wear and tear on floor surfaces and coverings, they also save time and effort through

quick and easy operation under all load conditions.

Consult Colson for quality casters and materials-handling equipment—hand trucks, lift jack systems, drum and barrel handling trucks, and special devices. Write for catalogs or call your Colson representative today.



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CASTERS • INDUSTRIAL TRUCKS AND PLATFORMS • LIFT JACK SYSTEMS • BICYCLES • CHILDREN'S VEHICLES
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LABOR

C.I.O. Faces Severest Test

New wage drive and internal dissensions overshadowed by union's political situation. Murray demands unity in fight for public opinion and against Republican Congress.

The eagerly awaited 1946 convention of the C.I.O. came and went last week. It shed no further light on the figure at which the unions in the mass production industries will settle their demands for a substantial second post-war hourly wage increase.

So far as the C.I.O. is concerned, the next opportunity for the economic revelation must await developments in negotiations between the United Auto Workers and the Chrysler Corp. (BW—Oct. 26'46,p90). Or it must await the convening of the executive board of the United Steelworkers Union which is scheduled to take place Dec. 17 in Pittsburgh.

• **All Eyes on Lewis**—But the truth is that John L. Lewis—hated, feared, and envied by most of the C.I.O. leadership—will set the dimensions of the C.I.O.'s second round jump. He will do this just as surely as the Truman fact-finding boards set the dimensions of the first hike. For Lewis and his blindly loyal miners are now slugging out their second round (page 15). When the tally is in on that fight, few other unions, C.I.O., A.F.L., or independent, will be able to make a better score in their own industries.

The convention proper provided only vague generalities about wages and contented itself with getting on the record the philosophic justification for a new wage drive; "the C.I.O. can prevent a depression by getting a big share of industry's \$15 billion annual profits put into pay increases."

However, individual union leaders were more specific in off-the-record discussions. A 20¢-an-hour figure was most frequently heard. This seemed to be the prevailing estimate of what the C.I.O. would have fought for had Lewis not stolen the play. Even with the matter in Lewis' hands it remains as the best guess of what ultimate settlements may be.

• **Skirting the Issue**—Nor was the convention much more illuminating on the C.I.O.'s biggest internal issue: Communism. Running the convention with an iron hand, middle-of-the-roader Philip Murray preserved a surface appearance of almost complete unity. "We resent and reject efforts of the Communist Party or other political par-

ties and their adherents to interfere in the affairs of the C.I.O.," declared a policy statement presented to the delegates. And they voted for it unanimously, Communists and anti-Communists alike. The Communists felt that it had no practical meaning and that, if they opposed it, the right-wing forces would open a debate on the convention floor which might result in some move that would be really drastic.

But, on this issue too, more realism was to be found in the corridors than

in the hall. The anti-Communists were sharply disappointed by Murray's moderation. They intend to exploit the policy statement fully and demand, at the next convention, more practical steps against the leftists. They will utilize, particularly, the enacted rule which is designed to limit the activities and endorsements of the city and state councils of C.I.O. unions to matters already approved by the national C.I.O. It has been in these federated bodies of local unions where Communist influence, disproportionate to actual membership strength, has set the seal of C.I.O. support on many things that are of a great deal more importance to the Communist Party than to the trade union movement.

• **Lip Service**—The left-wingers, however, coldly practical as always, felt that only some lip service had been paid to prevailing sentiment; that by going along with the convention majority they had effectively escaped real trouble. They were thoroughly skeptical of their enemies' ability to put a checkrein on, for example, the Greater New York



THE SHOW GOES ON WITH THE SAME CAST

Old faces, with one exception, still were to be seen in C.I.O. top councils after the union election. Walter Reuther (left), United Auto Workers president and new C.I.O. vice-president; James B. Carey, C.I.O. secretary-treasurer; and Philip Murray (right), president, as usual were much in evidence among top union policy-makers. Missing from the high echelon was Reid Robinson, head of the leftist Mine, Mill & Smelter Workers, in bad graces because he sought a loan from management (BW—Feb. 2'46,p92). Robinson stayed in C.I.O.'s internal feuding when he was named by his union to the executive board. The election fanned live left-right embers, brought a chiding from Murray for the rightist textile workers, but no contests developed. Proceedings patly followed terms of a deal worked out before the convention's first session.

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If you are *not* the dominant firm in your field—or are *not* affiliated with the leader—or do *not* employ *more* than 500 persons . . . you may be able to qualify as a "small business" under the law governing disposal of these facilities.

Once you are so qualified, there is immediate possibility for you to obtain the plant you want under *high priority*—a priority given the Reconstruction Finance Corporation to purchase these plants for re-sale to small business. Our field offices will advise you how to obtain this priority certification.

You will find that the Government's surplus plant offerings are highly flexible, for example: (1) Entire plants (both large and small)—(2) Land and buildings only—(3) Land and buildings together with such portions of the contained equipment as may be desired—(4) Specific, separate buildings, where the facility is economically and operationally divisible; and—(5) Lease of a portion of a single building under a multiple-tenancy arrangement.

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Write, phone or call for the PLANT-FINDER, a fully indexed, descriptive catalog of Government-owned plants.

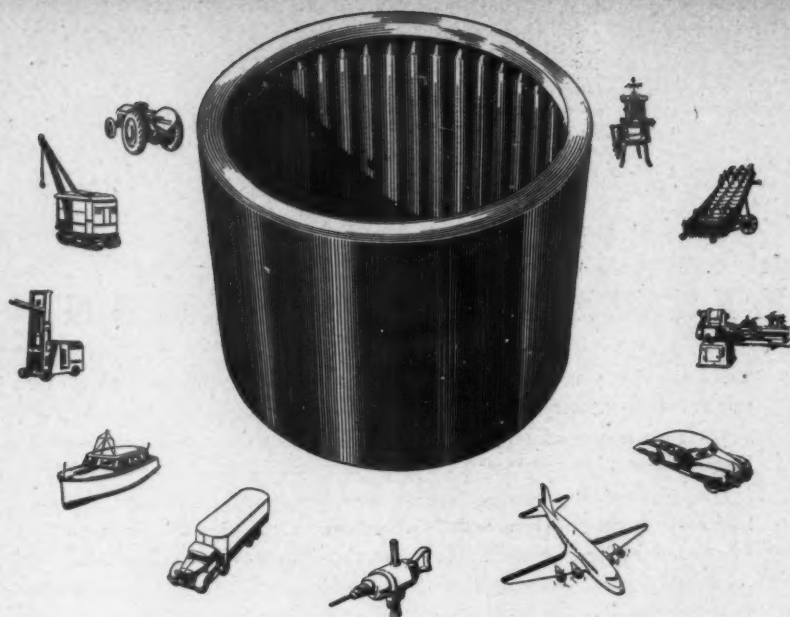


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In virtually every type of mechanical equipment, Torrington Needle Bearings are serving in an increasingly varied range of applications . . . whatever the load and speed requirements.

The reason lies both in their tremendous radial capacity—greater in relation to O.D. than in any comparable bearing—and in their low coefficient of starting and running friction—with no practical speed limitation on their application. Behind these advantages lies the principle of Needle Bearing design—a full complement of small diameter precision rollers which provide maximum area of bearing contact surface.

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Industrial Union Council which speaks for the C.I.O. in New York City through the voice of its left-wing officials.

Clearly, Murray, while managing to preserve the appearance of internal unity in the organization, had failed to bridge the deep-seated cleavage by one particle.

• **Grim Politics**—Yet left and right alike agreed that Murray had little choice. This was a grim and subdued convention which met in Atlantic City. Representatives of all parts of the movement, the startling growth and recorded success of which are unique in America, realized fully that they stood on the threshold of their severest test. Overshadowing even their new wage drive and their internal dissensions was what they kept referring to as the "political situation."

They saw it as being compounded of three main elements: (1) the failure of their own political arm, the Political Action Committee, to make an impressive showing in the 1946 election (BW—Nov. 23 '46, p90); (2) a Republican-controlled Congress; and (3) a public opinion which recalled vividly the great strikes of the 1945-1946 season and which was being lashed anew by John Lewis into demanding government curbs on unions.

• **Too Late to Learn?**—Having thrived on government favors, the C.I.O. fears that it's now entering a period where it cannot even hope for government neutrality. It has had no experience in operating under such conditions and it is apprehensive lest it may have a hard time learning.

Behind its announced determination to work in Washington to maintain the legal structure in status quo, the C.I.O. is resigned to the changes which it sees a Republican Congress making in the nation's labor code. This does not mean that these changes will be unopposed. The C.I.O. will fight them in Congress, in the courts, and on the picket lines. But in the end, it will make an effort to adapt itself to whatever requirements have survived judicial challenges and economic tests of strength.

• **Unity or Else**—In order for it to exercise a flexibility equal to the uncertain situation it faces, the C.I.O. needs a unity and discipline beyond what has ever been demanded of it before. It is this unity and discipline which Murray and his lieutenants are out to create, regardless of what compromises will be required either inside or outside the organization. They are firmly convinced that unless the C.I.O. is forged into a body which can march in step and march fast—forward, backward, or sideways as circumstances may dictate—the outlook for the industrial unions is indeed overcast.

Sharing for Peace

Management is studying plans to give labor a stake in profits. Survey shows they are not a cure-all for unrest.

Prospects of a new series of wage demands (page 79) have brought profit-sharing plans sharply to the attention of management. While there was wide disagreement over the effectiveness of introducing such a program, executive opinion, nevertheless, was that any proposal that was designed to link pay with productivity and profits merits study.

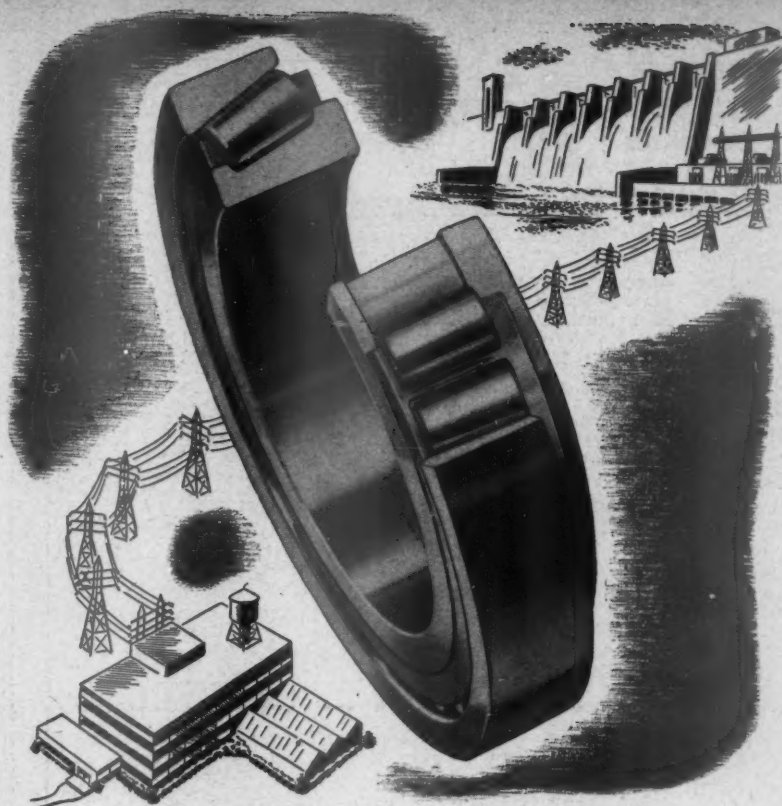
• **Taking Stock**—Hence labor relations offices were reviewing with interest a number of recent developments in profit-sharing plans:

• **Announcements** by Eastman Kodak Co. (BW—Nov. 23 '46, p19), Bundy Tubing Co., S. C. Johnson & Son, Inc., Minnesota Mining & Mfg. Co., and



HOT BEER

Beer moved in convoyed trucks from reopened Pennsylvania breweries after a union jurisdictional "beer war" reached a new crisis. Brewers struck by C.I.O. because they delivered C.I.O.-made beer in trucks manned by A.F.L. teamsters ran into trouble when they attempted to resume distribution. In Wheeling, W. Va., unionists (above) poured barrels of "unfair beer" over a river bank. Four A.F.L. drivers of other trucks were waylaid and beaten. In retaliation, paint cans were hurled through windows of a C.I.O. union office.



More Power TO A GROWING NATION

To keep pace with the growth of population and the expansion of industry, additional power sources must be developed, plants built . . . while existing facilities continue to produce at full capacity.

In generators, sluice gates, pumps and many other power plant installations, and in cranes, shovels, mixers and other construction equipment, where *dependability* and *efficiency* count most, Torrington Bearings are proving their value under exacting conditions. And in a great variety of heavy-duty applications in other industries, such as steel, machine tool, paper and oil, Torrington Bearings are helping to increase output, cut costs and minimize maintenance.

As a designer or manufacturer of heavy-duty machinery, you may benefit greatly through consultation with our engineering staff. Years of experience in the design and construction of all types of bearings enables Torrington's Bantam Bearings Division to find the most practical and economical solution for *your* friction problem, routine or unusual.

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employees of the Minnesota Mining & Mfg. Co. The program was set up in 1936, and in the 39th quarterly profit splitup recently, 5,000 employees shared a healthy \$184,000 melon.

The National Pressure Cooker Co. plan recently was incorporated into a contract between the company and C.I.O.'s steelworkers' union. Under it, about 1,000 employees will share 11% of earnings for the current year, 5% annually hereafter.

• **Strike Deterrent?**—Such model plans as these have prompted other companies to consider feasibility of profit-sharing programs. They also have prompted congressional attention to the question of whether such a plan would stabilize labor relations if encouraged nationally. The premise here is that, if workers get a direct share in the profits derived from continued production, they might be more reluctant to strike.

Sen. Knowland's proposal is to make profit-sharing enticing to management by exempting from federal taxation any part of corporate income that is applied to employee profit-sharing. It's hardly likely that the proposal will be adopted during the 1947 session, but it will be in the Senate's hopper.

• **Dissenting Opinions**—Profit-sharing opposition comes from both labor and management. The former is dubious about any form of incentive system



COMFORT DOWN UNDER

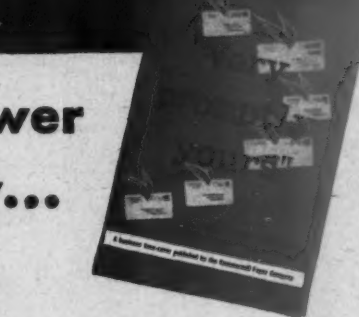
They're riding the cushions these days along the Willys-Overland assembly line in Toledo. Fitted with rejected jeep seats and a parts box, the dollies make underpinning work an easy-chair job (above). And it's a cinch to get to nearby supply bins; just a good push is needed.



If you want to answer today's mail today...

If unanswered correspondence swamps your desk—yesterday's batch buried under today's—"Very Promptly Yours" may help you.

This idea-book published by Hammermill shows how a very simple system will keep the letters, memos, inquiries flowing to the people concerned, bring needed file information to you promptly... save hours of unnecessary delay... so that you can answer today's mail today. Use the coupon.



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wilted at 5 o'clock?

...maybe she needs to brush up on her **TYPING TECHNIQUE**



FIRST she must be alert, relaxed and comfortable. She should sit upright. Her feet firm, not crossed or wrapped around chair. Good form is important.



TRIPLE posed drawing shows how back, neck and eye strain result from bad posture. With typing technique and the right machine she'll find typing easier.



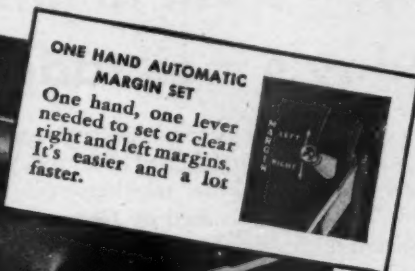
FIVE O'CLOCK and still relaxed because she uses technique and has a Smith-Corona...engineered for her comfort and easier typing. See the features below.



"As far as upkeep is concerned," said a motion picture executive, "there just doesn't seem to be any!" And a busy New York secretary wrote, "Somehow, working has suddenly become pleasurable"... just *one week* after receiving her "beautiful, new Smith-Corona!"

These comments are typical of the support Smith-Corona receives from both the girls behind the machines and the men who buy them.

Prove it yourself! Match Smith-Corona against any other make. Weigh its performance in terms of cost, dependability, precision of write and ease of operation. Then... decide your next purchase on the outcome.



You'll find it easier
with a **Smith-Corona**

L C SMITH & CORONA TYPEWRITERS INC SYRACUSE 1 N Y
... makers also of Smith-Corona Portable Typewriters

(BW—Nov.23'46,p96). The latter, as represented by the National Industrial Conference Board, is not at all sure that profit-sharing's advantages outweigh its dangers.

N.I.C.B. recently warned employers, in a research report, against too quick judgment on the advisability of following the movement. The board said that while the plans might be feasible in good years, they might not stand the acid test of bad ones.

N.I.C.B. took issue with advocates of profit-sharing, notably Eric Johnston, former president of the United States Chamber of Commerce who adopted a plan for his Washington State enterprises (BW—Jan.26'46,p96).

• **High Mortality**—The board recently made a quick check-back on its records, to report that of 161 plans surveyed in 1937, about 60% had been abandoned. Some 25% were discontinued because of dissatisfaction on the part of employer or employees, and 36% because there were no profits to share, or the company had gone out of business or changed hands.

• **Lack of Understanding**—N.I.C.B. blamed lack of success of many plans in the 1930's on employees' lack of understanding of principles involved—particularly the influence of the business cycle on profits. Once profit "bonuses" have been given to workers one year, N.I.C.B. said there is a tendency to expect them as an actual part of wages. Thus, profit-sharing "apparently works fairly well as long as the company prospers, but dissatisfaction arises when profits diminish or disappear," N.I.C.B. concludes.

The board urged its associates to adopt profit sharing only (1) if their wage scale is equal to or exceeds the going rate of the community for similar jobs; (2) if the enterprise has a record of profitable operations justifying a belief that each participant may expect a worthwhile annual bonus; (3) if there already is a well-grounded program of employee security benefits (such as insurance and pension benefits) in effect; and (4) if there is an harmonious employer-employee relationship. Otherwise, N.I.C.B. warns, "adoption of a profit-sharing plan may give rise to more problems than management had to deal with previously."

• **Some Successful**—Benefits which it found included improvement of employee morale in many plants; some improvement in efficiency and output—but not as much evidence of increased production as had been predicted; reduced labor turnover; and increased interest in the company's welfare. Smaller establishments, relying more on individual initiative and skill than mass-production plants, reported themselves particularly benefited by profit-sharing programs.

TWINDOW TRADE-MARK *by "Pittsburgh"*

... The Newest Thing in Windows ...

has **BUILT-IN**
Insulation!



TWO or more pieces of "Pittsburgh" Glass with a hermetically sealed air space between, and a sturdy protecting frame of stainless steel ... that's Twindow, "Pittsburgh's" new window with built-in insulation.

It's the latest thing in windows ... for homes, factories, stores, hotels, hospitals and schools. It comes to you from the same laboratories that have developed so many other famous "Pittsburgh" glass products in the past.

Twindow makes larger windows

more practical in all kinds of buildings. Made with 2 pieces of glass, it cuts heat transfer nearly in half ... even more when made with additional panes. As a result of its built-in insulation, Twindow decreases the load on heating and air conditioning equipment. Helps to maintain desired temperature and humidity levels. Minimizes cold drafts near windows. Prevents condensation on the glass except under very severe conditions. Adds to health and comfort the year 'round.

And what's more, Twindow in-

stalls and cleans as simply as a single pane of glass! Send the coupon for more complete information on this newest "Pittsburgh" development.

We regret that current production is not meeting demands. Deliveries must continue slow until new facilities are completed. When planning new construction or modernization, we suggest you get in touch with our nearest branch to determine if our delivery schedule will permit your use of this finest of insulated windows.



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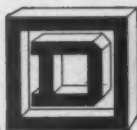
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suggestion to Management: why not get it out of your system?

Your plant's electrical distribution and control system, like thousands of others, may have taken a terrific beating during recent years. If any part of it has become overloaded, poorly located or improperly applied in relation to present needs, serious losses are a certainty.

Why not ask your head electrical man to check on this very important segment of your business? If such a profit leak exists, a Square D Field Engineer will be glad to work with him in plugging it.

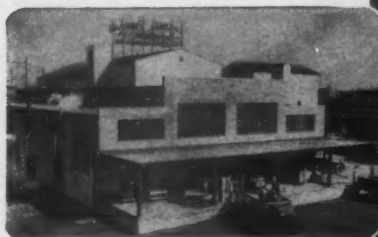
Field Engineering service is available, without obligation, through Square D offices in 50 principal U. S. and Canadian cities.



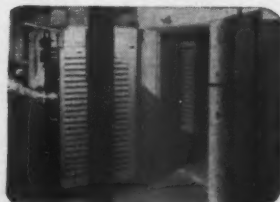
Wherever electricity is distributed and controlled

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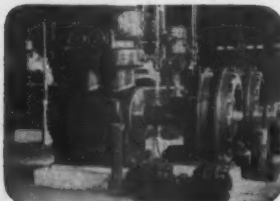
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New Processing Building and Frick-Freezer at Lancaster.



Four Blizzard Freezers, in Service at The Consumers Plant since 1941.



Three New Frick Refrigerating Machines.

Community Refrigeration Center Installs Big New Frick-Freezer

The Consumers Ice & Coal Co. operates at Lancaster, Penna., an outstanding Community Refrigeration Center. Here quick-freezing has been a major service since 1941, when four Frick Blizzard Freezers were installed.

This season a great new tunnel-type Frick-Freezer, 60 ft. long and equipped with both a conveyor and push-trucks, receives up to 4,000 pounds of foods per hour from the elaborate processing machinery. The original Blizzard Freezers are also in use. Thus the products of lush Lancaster County farms go to sub-zero storage—and to market!

Frick-Freezers are adapted to handling ANY foods, dependably and profitably. Let us help you solve your freezing problems.

DEPENDABLE REFRIGERATION SINCE 1897
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WAYNESBORO, PENNA. U.S.A.

Closed-Shop Fight

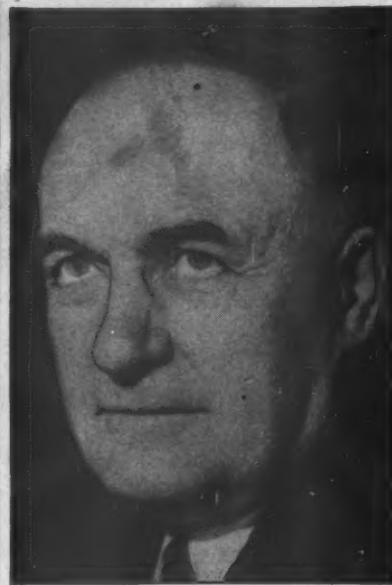
A.F.L. opens war against right-to-work laws in 2 states as coal crisis spurs drive for more open-shop legislation.

Constitutional amendments barring closed-shop union contracts last week met quick opposition in two of the three states in which they recently were ratified (BW—Nov. 9 '46, p. 5). A.F.L. unions in Arizona and Nebraska opened what promises to be a finish fight, backed by strikes if necessary, against any restrictive action.

• **Lewis Provokes New Moves**—Meanwhile, concern over the danger which exists when one union—such as the United Mine Workers—holds a dominant position over an industry (page 15) spurred new efforts to extend bans on closed-shop contracts:

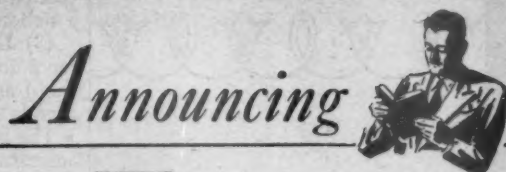
(1) Sen. Joseph Ball announced, from the front ranks of labor policy-makers in the new Congress, that a bill will be introduced to ban closed-shop contracts.

(2) An organization, designated as



HIS MOVE?

Edward R. Burke, former U.S. Senator from Nebraska and now president of the Southern Coal Producers Assn., may become the key figure in finding a way out of the coal strike impasse (page 15). His opposition to any contract with John L. Lewis providing for a miners' welfare fund now blocks the possibility of the union's making an agreement directly with the private operators.



THE EXECUTIVE BOOK CLUB

These are days of anxious worry for every business man—for every citizen concerned over America's future. What are the *unseen forces*—political, economic, social—that are now locked in conflict, the outcome of which may change the world for generations to come? The answers to these questions are vital to every executive of every business, large or small. They are no less vital to every lawyer, every banker, every business and professional man and woman.

The Executive Book Club has been organized to equip you to answer these questions. It is your *key to knowledge*. It will help explain and unravel today's bothersome economic mysteries.

No longer can any *thinking* business man be content with a narrow knowledge of the changes taking place around him. Too many "outside" influences are at work which, a month or a year from now, may have a

drastic bearing on what kind of a place America is to be in the years to come.

How can you keep abreast of new ideas and new principles now forming in business, in government, and in the world as a whole? To give you this knowledge—to help you apply it *profitably*—The Executive Book Club was set up by business men who face the same problems and are interested in getting the right answers.

HOW THE CLUB OPERATES

Each month the Club selects a book which in the opinion of its Editorial Advisers is an **IMPORTANT** book—"must" reading for every alert individual holding a position of executive responsibility.

A month in advance members of the Club receive free a monthly copy of "The Executive," which describes this selection and in addition scans the whole economic horizon

in relation to other new books soon to be published. After reading this review you can quickly decide whether you want this particular selection. If you do, the book comes to you without further action on your part; if the selection does not appeal to you, you may make an alternate choice. Or, you may omit taking a book for that particular month simply by returning a form provided you. You may take as few as four selections a year and still retain membership in the Club.

The Club's selections, in every instance, cost no more—and frequently less—than the publisher's regular retail price. (A small charge is added to cover mailing expense.) Some months the Club has a **DOUBLE** selection—two books in one month—at a combined price little more than the retail cost of *either* one of the books selected.

FREE

TO NEW MEMBERS

"Economics In One Lesson"

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THE BOOK THAT TAKES THE MYSTERY OUT OF ECONOMICS

As a business man, as a citizen interested in public affairs, you are invited to accept, without cost, a copy of this remarkably important and timely book. Written in clear and simple language, "Economics In One Lesson" gives a true picture of the way we live and work, with a brilliant analysis of the more common economic fallacies that, even now, may be determining the nation's future.

Many of these fallacies are the result of ignoring one basic economic principle. This book explains that principle, as it applies to every government, every industry, every organization, every family, every individual.

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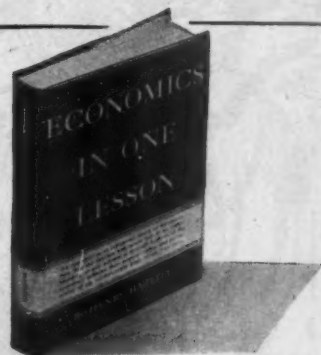
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the Federated Workers of America, was created in Memphis, Tenn., to fight for a national open-shop policy.

(3) Demands were heard in Georgia for a so-called "right to work" (open-shop) amendment to be placed on the agenda of the next legislature.

• **The Issue Is Drawn**—A dramatic fight against the new closed-shop laws was developing in Arizona. Acting quickly to avail themselves of the new amendment's provisions, contractors and builders in two statewide associations advised A.F.L. building trades unions that no closed-shop clause will be permitted in 1947 contracts. Union leaders were equally positive in demands that employers sign next year's closed-shop contracts before the new amendment could technically become effective on Nov. 25. The deadlock continued while the closed-shop ban formally was incorporated in state statute books.

Representatives of some 15,000 building craftsmen in Arizona warned that the unionists will "never work in an open shop." No strike was threatened as long as current closed-shop contracts remain in effect (until Jan. 1, 1947). But, they warned, the contract will be considered as violated by employers if they attempt to hire non-union workers.

Involved are laborers, carpenters, operating engineers, teamsters, cement workers, and iron workers. Although the building craftsmen do not control construction work as tightly in Arizona as in many other states, any stoppage would effectively tie up a large part of all building work in the state.

• **"No Closed Shop, No Work"**—In Nebraska, A.F.L. unionists announced that barbers, motion picture operators, and others "working in a closed-shop . . . are going to go right on working under the same conditions." Alternative will be no work at all from A.F.L. unions affected.

Action was being withheld in South Dakota, other state which recently ratified a closed-shop ban.

• **Open-Shop Union**—The Federated Workers of America was organized in Memphis at a meeting called to start "a campaign on a national scale" for an open-shop union. The meeting was sponsored by the Arkansas Free Enterprise Assn., farm and business group which was an active backer of the Arkansas anticlosed-shop law. Chairman of the new group is J. Tom Watson, who as Florida attorney-general spearheaded that state's drive to ban closed-shop union contracts.

The F.W.A. announced it would work through an "American Right to Work Foundation" to encourage independent, open-shop unionism. Representatives from Tennessee, Arkansas, Mississippi, Louisiana, Texas, Alabama, Florida, and Indiana attended.



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THE LABOR ANGLE

Folly

John L. Lewis has pushed changes in our national labor laws from a "sometime" to an "immediately pending" docket. Many employers, accustomed for years to attributing their difficulties with labor to "one-sided laws" and a "labor government," are reveling in the fact that the coal strike removes all doubt that the 1946 election results spell union regulation.

A little jubilation is understandable, but to use this development as the stuff on which to dream of dismantling industrial relations departments and returning to the "good old days" when unions, if any, were weak or company-minded, is sheer folly. The most, the very most, that employers can realistically hope for in the way of practical advantages from legislation is the opportunity for another chance. It may, indeed, be the last chance.

Indistinguishable

The widespread economic distress of the 30's for which business was blamed, the unintelligent employee relations policies which some employers pursued, and the political philosophy of a national Administration together created a situation in which union membership mounted from 3 million to 15 million. As that tide swelled, few distinctions were made between the "good" and the "bad" employers. All were in the same boat and, as the power of organized labor made itself felt, it seemed that the man who had made a conscientious effort to be a "good" employer had only succeeded in becoming a poor sucker.

That, however, was a period which is now about to end. Note how, once the crest of the great organizing flood was reached, it became possible for employers to distinguish between the "good" and "bad," responsible and irresponsible, unions which had been built. As the result of its being possible to make such distinctions, the "good" union rightfully expects a fuller measure of employer cooperation and favor. Just so, it may now become possible for the "good" employer to realize some concrete benefits in his labor relations. That is the maximum expectancy which can be built on the facts.

For there are three things which will not happen, no matter what kind

of legislative program is written into law: (1) Labor leaders will not readily divest themselves of the power they now possess; (2) unions will not dry up and blow away; and (3) employers will get no workable franchise to make unilateral decisions on matters affecting the wages and working conditions of their work force. The labor problem, in short, cannot be legislated out of existence.

Legislation

No one knows yet just how far legislation can go in any one direction to abate some brand of labor fever without creating complications in another direction. It seems obvious that we are about to find out. But, for the period of trial and error needed to achieve something approaching over-all stability, Congress should be able to provide some measure by which an intelligent labor relations program can pay off for a company. Today, the best program in the world can't keep a plant running when the issue is a jurisdictional strike or an order from union headquarters to shut down a whole industry.

Difference

Given a 15,000,000-member labor movement, there are few sensational possibilities for cutting down union power. But the exercise of that power and the way the unions handle their end of the practice of industrial relations can be changed.

That may not sound like very much, but to the employer who can see the possibilities of an enlightened employee relations program and who itches for the chance to let it demonstrate its merits—without having it washed out by union policies which do not take individual firms into account—the difference may be profound.

Opportunities

Thus, what seems to be developing is an opportunity for each employer to determine, in great part, what kind of employee relations he will have. Those who now sit back smugly expecting that Congress, goaded by John Lewis' latest exploit, will write an end to their labor troubles are in the unenviable position of letting what may be the last such opportunity slip by.

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Business Week . . .	1656	pages
Time	878	"
Newsweek	823	"
Fortune	695	"
U.S. News	693	"





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What a job the stores of America do on deliveries—and literally a miracle job at Christmas.

Junior's train, bike and sled; sister's dolls, toy dishes and bright red coat; mother's purse, lamp and house-coat; dad's slippers and pipe... all with the same unalterable "must"... "Please be sure to make delivery in time for Christmas!"

Working long hours, carrying full loads, untiring truck drivers perform the impossible.

And working with them you'll find a unique truck—the International DeLuxe Delivery Truck.

This unusual truck has an all-steel Metro Body. One of its jobs is to carry up to double the number of light packages that a conventional truck of the same length carries.

Another is to maneuver swiftly in and out of traffic. Another is to load and unload quickly and easily. Still another is to start quickly from your house for the house three doors away.

Watch an International DeLuxe Delivery Truck at work.

See how superbly it does all these jobs.

Of course it is economical to operate and gives long, trouble-free service. It's an International Truck—a product of International Harvester. And the performance of International Trucks is so outstanding that for 15 years more heavy-duty Internationals have served American commerce and industry than any other make.

So watch your Christmas deliveries. Watch for International DeLuxe Delivery Trucks—deluxe deliveries in time for Christmas.

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INTERNATIONAL Trucks

THE INTERNATIONAL OUTLOOK

BUSINESS WEEK
NOVEMBER 30, 1946



Despite popular reports to the contrary, the London trade talks have uncovered serious obstacles to the original International Trade Organization program.

No participating nation has dropped out of the conference. In fact, all of them pay lip service to the high-sounding ideal of ITO.

But in nearly every showdown on basic issues one or more delegations insisted that some dire local emergency would prevent full collaboration now.

As a result, this week's optimistic press report of accomplishments at London cannot be accepted at face value.

Best that can honestly be claimed is that the discussions will be continued in the spring and that some minimum operating agreement is likely to be reached.

Officially, Washington refuses to acknowledge a setback.

Actually, you can look for a marked shift in this country's handling of the whole ITO program.

Instead of placing key emphasis on tariff cuts, the new program will shift to pump-priming on a highly selective international scale.

Tariff discrimination and bulk buying by individual governments will be tolerated because they cannot be stopped.

But Washington will struggle to keep ITO afloat in the hope that:

(1) It will prevent emergency trade discrimination and bulk buying from deteriorating into economic war.

(2) It will provide an international agency through which the original ITO aims could be pushed when world economic conditions show signs of becoming more normal.

Concrete moves on several fronts forced Washington to modify its stand.

London removed the last doubt about its bulk buying intentions when it announced last week the formal creation of a Raw Cotton Commission which will monopolize all buying of cotton for use in British industry.

Deals in two other commodities indicate how far the program may spread, despite London's avowed desire to support the ITO ideal of freer world trade.

Following the earlier report that British authorities would create a monopoly to market all West African cocoa, London this week announced a huge new palm oil deal.

Beginning immediately, the Ministry of Food and the Malayan government will market the entire exportable production of Malayan palm oil for the next two years.

Swedish trade developments also need to be appraised more realistically.

Business Week's on-the-spot check of the \$280 million Swedish-Russian trade deal indicates that it is ardently supported by the majority of Swedish voters.

Even without local Communist support, the Social Democrat government in Stockholm, which has made the agreement, commands a majority in Parliament, and there is no sign of any difference of opinion within the party.

All Sweden looks on the pact as part of a deliberate effort by the

THE INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
NOVEMBER 30, 1946

government to insulate the country against business recessions, which are regarded as having their principal source in the U. S.

Virtue of the deal, as far as Sweden is concerned, is that it provides a known market for a fixed quantity of goods over the next five years.

The country's three big rail equipment builders, for instance, have already started work on 300 steam locomotives for the Russians.

Hydroelectric equipment already on order from Moscow will keep Sweden's electrical industry busy for the whole five years of the contract.

No less important to the Swedes is the Soviet commitment to supply a steady flow of chrome, nickel, silver, and manganese ores; asbestos, gypsum, cotton, and flax; and petroleum products.

Even pig iron and sheet steel will be delivered to Sweden, though the net flow of iron and steel will be toward the Soviet Union, where Sweden is to deliver masses of high-quality steel machines.

If Stockholm makes a new trade deal with Poland along lines now under consideration, this will also indicate significant new trade trends.

Basis of the present temporary Swedish-Polish pact is an exchange of Polish coal for finished goods.

Poland is now exporting nearly 11 million tons of coal a year.

If Warsaw meets its export goal of 50 million tons by 1950, Poland will take over Britain's previous role as Europe's No. 1 coal exporter.

(British exports to Europe averaged about 45 million tons a year before the war. They total less than 4 million now.)

What perturbs Washington is the fact that these Swedish deals are strictly bilateral.

In exchange for badly needed credits, the U. S. S. R. and Poland agree to buy specific quantities of Swedish goods and to deliver fixed quantities of raw materials in return.

Since the new Polish pact, if it materializes, will push Sweden's postwar credit arrangements of this sort to more than \$1 billion, a temporary trade pattern seems to be getting solidly established.

Big question facing business is whether the U. S. will complement the emasculated ITO program with a vigorous economic policy of its own.

A few weeks ago the U. S. was ready to get out of the business of lending abroad for reconstruction and development.

And the prospect that the new Congress will vote fresh funds for the Export-Import Bank still is not bright (BW—Nov. 16'46,p5).

But the pattern set by Sweden may yet win a following in the U. S.

If it does, it would put the Ex-Im Bank back to work lending money on a unilateral basis to friendly traders.

This would mean building a trading bloc of our own.

In any such setup, credits almost certainly would gravitate to the raw materials producing countries of Latin America, southeastern Asia, China, and Africa. Europe then would be left to work out its own reconstruction without important U. S. help.

BUSINESS ABROAD

Rails Bid for Foreign Trade

Improved port facilities, through bills of lading, and intelligence service highlight aggressive program. Boston, now able to handle heavy cargo, competes with Big Four ports.

The East Coast's "big four" ports of New York, Philadelphia, Baltimore, and Hampton Roads had to make room for a rejuvenated competitor this week: Boston. Completion of new heavy-cargo pier facilities enables Boston to challenge other Atlantic shipping centers.

• **Bid for Heavy Cargo**—Importers and exporters of structural steel, rails, massive machinery, and locomotives, heretofore shunned Boston. But installation on Dec. 2 of large electric gantry cranes by the Boston & Albany line of the New York Central R. R. on Pier 5 in East Boston will make it possible to handle the biggest of cargo loads. The 450-ft. dock has been widened and reinforced.

The new facilities add impetus to the drive by Bostonians to restore their city as a leading seaport (BW—Sep. 21 '46, p. 21). Opening of the rebuilt pier (leased by the United Stevedoring Corp. of New England) has additional significance, however.

• **Railroads Get Busy**—What it really marks is another move by the New York Central to grab a fat share of the rapidly growing export trade.

The New York Central, and its bigger competitor, the Pennsylvania R.R., have carefully charted their course to be

ready for the foreign freight volume. Both roads have enlarged their foreign staffs here and abroad. Potential of this business can be seen in this fact: The New York Central estimates its revenue from foreign freight alone this year will be between \$20 and \$30 million.

The two roads handle about the same volume of freight in foreign trade. They dominate this field, with the Baltimore & Ohio, Lehigh Valley, Lackawanna, Erie, and the New Haven putting in strong bids for the remainder of the eastern port trade.

The key railroads handling foreign export through Gulf ports have expanded their foreign freight departments, too. Similar expansions have been reported for the carriers servicing West Coast ports.

• **Volume Levels Off**—The government's annual foreign trade goal is set between \$10 and \$12 billion. American carriers are gearing operations to capitalize on this tremendous import-export business. Since the beginning of this year, the volume of foreign freight handling has been steadily dropping from its wartime peak in 1944. Now it is beginning to show signs of leveling off. In October, for example, the port of New York showed an increase in volume over

1945. This despite a paralyzing shipping strike.

The tide of export-import traffic rose rapidly after the end of the shipping strike. It became so great last week that the Assn. of American Railroads put a drastic embargo on all carload freight through New York. The order restricting movement of the freight was issued after steamship lines were swamped; idle export freight mounted to 8,000 carloads on wheels and 7,000 more in storage.

• **West Coast Suffers**—Greatest drop in export flow has been on the West Coast. Business there fell off with the end of the Japanese war. Then it dropped to a trickle because of the prolonged maritime strike. In October, for example, export traffic through San Francisco was 83% less than in October of 1945. Los Angeles was down 98%.

Gulf ports, on a comparative basis against 1945, are down about 40% to 50% although Florida outlets are up. But like the East, both southern and western ports are showing signs of leveling off, and starting the upward trek again.

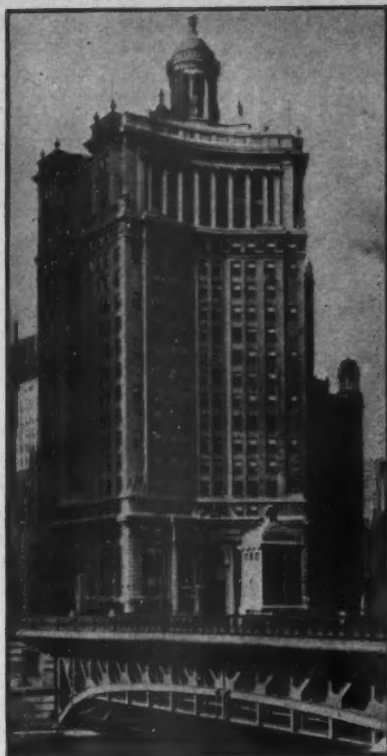
Only a trickle of the export goods—against the volume that is expected in 1947—has begun. Most manufacturers are limiting 10% or less of their production to foreign sales because of the domestic demand. This limitation, plus labor troubles and material shortages, has resulted in only a fraction of the planned export output being reached.

• **Carriers Ready**—When the real flow begins, however, the carriers will be ready. The export flow is never expected to reach anywhere near its wartime high, but railroad executives expect it will be far in excess of prewar traffic.

To gear themselves for the volume,



With its Hoboken yards (above) across from Manhattan taxed to capacity, New York Central next week will install at a Boston pier major shipping equipment to load cargo that only four Atlantic ports heretofore could handle. The project is important in the major rail lines' race to grab as much as they can of the profitable export freight business.



"BUYING BRITISH"

Last week, Chicagoans took a Michigan Ave. landmark—the 21-story London Guarantee Building (above)—away from the British. Alexander Spare, Chicago attorney, R. S. Levy, an owner of the Congress Hotel, and Ira Lowenstein, president of Superior Packing Co., bought it as an investment for \$4,000,000. Title formerly was held by the Site of Fort Dearborn Bldg. Corp., a company owned by ten officers of London Guarantee & Accident Co., Ltd., who built the structure 23 years ago—reportedly at a cost of \$5,000,000. The structure, incidentally, is just opposite the home of the Chicago Tribune—no Anglophile.

the carriers already have agreed to reinstitute the prewar system of through bills of lading. This means that the American manufacturer can turn over his shipment to the railroad and have it sent straight through to the foreign recipient.

These bills of lading will be patterned after the prewar system. There will be a general tightening of the regulations, however; all the carriers have agreed to the changes. Announcement of the effective date will be made soon by the Trunk Line Assn.

The government's slowness in restor-

ing shipping to private ownership has held up the carriers' plan considerably.

• **Information Available**—Postwar operating plans of the railroads also call for a thorough system of so-called "foreign intelligence." Under this American businessmen can obtain directly from their nearest freight agent needed foreign trade information. This includes tariffs, foreign port conditions, and anything else pertinent to their proposed shipments. Through their foreign agents, the railroads are now even going so far as to help bring the buyer and seller together. These services are being offered free to American manufacturers.

Against this background, the opening of the enlarged pier at East Boston, and other steps by the railroads to gear for foreign trade, take on a greater significance. It is more than a case of a single American seaport seeking to regain its former position in world trade; it is a case of the carriers aggressively developing now business.

• **Norfolk Expands**—Further south, Norfolk is also planning for greater foreign freight volume. A new \$6,000,000 pier, two large new warehouses, and a 280-car supporting yard are currently under construction at Lambert Point, Norfolk, by the Norfolk & Western Ry. The job is scheduled to be completed next year.

The Boston, Norfolk, and other planned port improvements, are looked upon favorably by the government. In addition to helping foreign trade, they offer greater security in national defense.

Going Abroad?

American Express president says Europe is willing, if U. S. issues passports. But be sure you anchor a return berth.

PARIS—If the U. S. State Dept. decides to grant passports, Europe is in for a tourist revival next summer. An estimated 300,000 to 500,000 passages across the north Atlantic will be available, but a firm return reservation will be essential.

This is the expert judgment of Ralph T. Reed, president of the American Express Co. (BW—Jul.27'46,p8), after a two-month, seven-country tour in Europe.

• **Welcome Assured**—European hotel-keepers are eager to welcome American tourists. European governments look forward to the influx of American dollars. It will help them to balance their trade books.

For its part, American Express hopes to offer several all-expense tours to Europe next summer.

The company already has opened 26 offices in Europe, besides a half-dozen serving G.I.'s in the U. S. zone of Germany. It is recruiting and training staffs for offices which have long been havens for wandering Americans. And it is planning new tours to take in battlegrounds of the war just ended.

In England, Reed found hotel and transportation men anxious to welcome American tourists (BW—Nov.16'46, p109). Despite continued food rationing, the government will grant tourist visas freely.

In France continuing inflation makes advance budgeting of tours almost impossible. Trains are crowded. Tour buses will be scarce. Hotel facilities are ample in Paris and on the Riviera, unless international conferences or conventions are held there.

Belgium is a question mark. Brussels is near the major American cemeteries, but hotels even now are filled to capacity.

In Holland, also a cemetery site, the tourist trade is actively preparing for next summer's visitors. Especially the smaller cities will offer ample accommodation.

The large Swiss tourist industry eagerly awaits U. S. visitors. Untouched



TO BREAK A JINX?

Before the war, France undoubtedly ranked tops in the world market for quality handmade goods; mass production was something else. In this respect, the aircraft industry—smart at turning out advanced research models, weak in quantity output—was not different from other industries. Now, like other forward-looking models at the Paris air show, the experimental autogyro (above) with jet-propelled rotors and a rear motor prop raises a question: Can the mass-production bugaboo be licked?

Coming Soon on the Chesapeake & Ohio

"PAY AS YOU GO" TRAIN TRAVEL!

This new optional service, now being worked out by the C & O, should be available in January.

WHY should the business of arranging a train trip be such a nuisance? Why should the traveler be put to a lot of trouble? Why shouldn't the railroad take the trouble?

Why should you have to stand in a ticket line, or send someone, often days in advance of your journey, just to get your tickets?

Why shouldn't you be able to reserve space by telephone, go right to your place on the train, then simply pay for your ticket en route?

The Chesapeake & Ohio asked itself these questions—and came up with the answer: "Pay as you go—on the C & O." Under this new plan you'll



be able to phone in advance for either a coach seat or Pullman space.* You'll go straight to the train, take your reserved space, and pay for your ticket there or you can use the new C & O credit card which is now being planned.

Detailed arrangements for this new service are at present being worked out. The C & O is seeking the help of other organizations whose co-operation is needed. It is hoped and believed that you can "Pay as you go—on the C & O" in January.



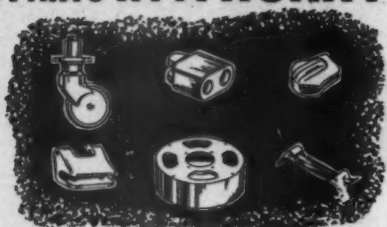
Watch for the announcement. Plan to use this service in the territory served by the Chesapeake & Ohio. It will make the planning of your trips much quicker and simpler, and cost nothing extra. It will be the latest—but not the last—of many services rendered by the Chesapeake & Ohio to make rail travel more sensible and more enjoyable.

*A credit card will be necessary to hold Pullman space reserved by phone unless, of course, you want to buy your ticket in advance, for Pullman space carries a penalty if not used or properly canceled.

PAY AS YOU GO - ON THE C&O

The Chesapeake & Ohio Railway, Terminal Tower, Cleveland 1, Ohio

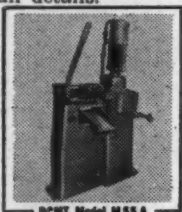
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by war, Switzerland has become a mecca for tourists from the rest of Europe. Hotels are jammed regularly, but American Express hopes to reserve blocks of rooms at Swiss resorts next summer. The company has opened both old and new offices and may establish another in Montreux.

Conditions in Italy remain uncertain. The government is not sure that tourists can be satisfactorily cared for. Reconstruction of railroads and shortage of rolling stock have made trains slow and crowded. Facilities in Naples are taxed, but several de luxe hotels in Rome, Florence, and Genoa are operating again.

In Germany military government officials have toyed with the idea of inviting American tourists, especially to Bavaria, to help the U. S. zone pay for imports. Reed considers this a remote possibility.

• **New Business**—American Express continues to offer occupation G.I.'s guided tours in neighboring countries.

Another new development for the company has been the growth in British use of American Express facilities in Europe. Several new offices may be opened in England to foster this trend.

NEPAL GOES MODERN

NEW DELHI—Traditionally aloof Nepal, the independent kingdom in the Himalayas, seems to be letting down the bars.

Key to the gate is the Indo-Nepalese scheme for the damming of the Kosi River. The river rises in the valleys of snow-clad Mt. Everest and flows south into India to join the Ganges in Bihar Province. A 750-ft. dam—slightly higher than America's Boulder—will be built across the Kosi's Chhatra Gorge in Nepal. Construction may take ten years and cost \$150 million.

The project will reclaim thousands of acres of flood-wasted soil. It will irrigate some 3,000,000 acres of farmland in the two countries. It will afford water transportation to a vast undeveloped area. Finally, it will produce about 1,000,000 kw. of cheap hydroelectric power. The dam reservoir will have a gross storage capacity of 10,600,000 acre feet.

Another sign of progress is Nepal's plan to build a large-scale (500 loom, 25,000 spindle) textile plant at Nepalgunj. Operating concern will be Shree Pahupati Textiles Ltd. The firm will have \$3,000,000 capital—\$2,000,000 held by the Nepal government and individuals, the balance by Indian managers.

AN "RFC" FOR INDIA

NEW DELHI—India's much-discussed Industrial Finance Corp. is a step nearer reality. A bill to create the

agency has been introduced in the Central Assembly by the Finance Member of the Governor-General's Council, Ali Khan. Indian businessmen and manufacturers are strongly in favor of passage for the bill.

The corporation will resemble the U. S. Reconstruction Finance Corp. in form and function. It will provide industry with medium- and long-term credit that commercial banks won't handle.

Proposed capital is \$15 million. The Central government, Reserve Bank of India, individual banks, and investment institutions will put up the money; the Central government will guarantee all shares and 2½ annual interest.

IFC will make 25-year industry loans. It will also underwrite industrial shares and debentures, but can hold these only seven years. It can issue its own shares, but not in excess of four times its paid-in capital. Profits go to the government after payment of a 5% dividend, and after a reserve equal to capitalization is established.

IFC is due for a key role in India's industrialization plans. It is expected to attract excess capital that has, up to now, hesitated to back new ventures for lack of firm guarantees.

CANADA

Formula Studied

As Rand contracts appear in more plants, interest grows in Canadian means of settling union security issue.

OTTAWA—For months United States businessmen have had an eye on a new Canadian labor contract. Many of them are writing for copies.

The contract provides a union security formula unprecedented in Canada. Labor considers it a forward step. In the U. S., however, labor would consider it backsliding.

Justice Ivan Rand of the Canadian Supreme Court wrote the formula to settle the Windsor Ford strike (BW—Feb. 9'46, p70).

• **Favored by C.I.O.**—The "Rand Formula" is favored by the Canadian Congress of Labor (C.I.O.) unions as an advance toward the union shop. But it is not held to be the ideal form of union security.

Trades & Labor Congress of Canada (A.F.L.) unions have shown little interest in the formula. However, the A.F.L. has had few strikes and contract revisions in the past year. The C.I.O.,

which led the summer strike wave, sought and obtained the Rand formula in some cases.

• **Strike Vote for All**—Judge Rand was made sole arbitrator in the long and deadlocked Ford strike of last year. His solution was compulsory checkoff of union dues for all workers whether or not union members. As a condition, it was stipulated that nonunion workers have a vote on strike issues. Other stipulations were imposed to insure union responsibility: loss of checkoff privileges for the union, and fines and loss of seniority for individuals responsible for unauthorized strikes.

Most applications of the formula have been in plants where the United Automobile Workers or the United Steelworkers represented workers. The steelworkers failed to get the formula in their strike settlement last summer, but it was one of their aims.

• **In Inco Contract**—On the other hand, Chrysler conceded the formula to the U.A.W. in its Windsor and Chatham (Ont.) plants after a prolonged strike. A third important application of the formula is at the International Nickel Co., where the Mine, Mill & Smelter Workers obtained a contract.

Smaller concerns where the formula is in effect are: U.A.W. group—Motor Products, Gotfredson Trucks, Champion Spark Plug, Walker Metal Products, Eaton-Wilcox-Rich, Dominion Forge, L. A. Young Industries, Bendix-Eclipse of Canada, Gar Wood Industries, all at Windsor; steelworkers group—Fittings, Ltd., Oshawa; Ontario Malleable Iron Co., Oshawa; Grinnell Co., Toronto; and Russell Bros., Owen Sound, Ont.

• **Membership Gains**—Union experience is that where the formula goes into effect it increases union membership. Holdouts generally join the union when they have to pay dues. In some cases they start coming to meetings and taking an active interest. At the Ford plant new members joined at the rate of several hundred a day for a time after the settlement.

In some cases, attempts to get a union shop have resulted in a Rand formula compromise. In others, unions wanting the Rand formula had to settle for a simple checkoff of union dues.

• **Some Opposition**—Many Canadian employers do not like checking off dues from nonunion members and thus oppose the formula. Employers object that a universal checkoff makes the union a vested interest, hard to change or remove from a plant. But Ford officials are said to be satisfied with the way it has worked in their plant.

Government conciliation experts have not been pushing the formula as a cure-all. The official attitude is that it was a good solution for the Ford deadlock case but not for all disputes.

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DIVISION OF AJAX METAL CO.

INDUCTION MELTING FURNACES

THE MARKETS

(FINANCE SECTION—PAGE 70)

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	139.0	140.6	137.8	164.2
Railroad	45.8	45.5	44.1	64.5
Utility	75.2	74.5	72.8	84.2
Bonds				
Industrial	122.4	122.6	122.3	122.4
Railroad	111.7	112.9	112.5	117.2
Utility	112.0	112.2	112.2	115.9

Data: Standard & Poor's Corp.

Cautious—But Hopeful

Last week saw stock market prices slip off quite sharply at times; more and more investors decided to close up shop temporarily and await some favorable clarification of the soft coal situation.

As a result, the first five of last week's six New York Stock Exchange trading sessions brought substantially more losses than gains. And late in the week trading activity began to expand sharply. By Friday selling pressure had actually grown potent enough to send the Dow-Jones industrial stock price index tumbling to a level well beneath its "official" 1946 bear market low, registered in October.

• **Turning Point**—But in the end, Friday's Big Board session didn't turn out to be the dismal affair the day's earlier events had appeared to be forecasting. Instead, soon after lunch, brokerage boardrooms began to hear "stories from responsible sources" indicating that the current soft coal impasse might shortly be a thing of the past. According to these rumors, behind-the-scenes con-

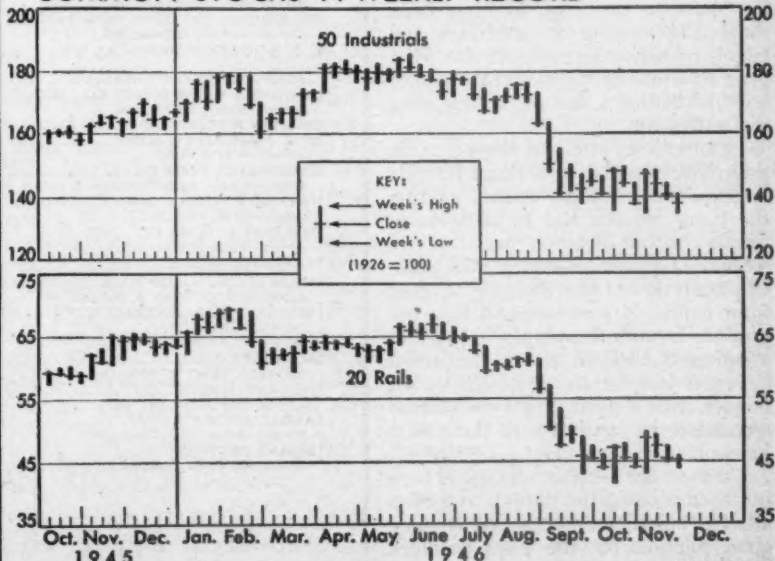
ferences were under way; they would soon result in the granting of liberal concessions to the miners and insure reopening of the soft coal fields within two weeks. As a result, some rather substantial orders to buy "at the market" were soon being placed with brokers. When the Friday closing gong was struck quite a fair rally was in progress. • **No Flash in the Pan**—To make matters even more encouraging, Friday's rally had considerable carry-through; the next day trading activity showed the strongest tone for a Saturday session in many weeks. By the time that day's festivities ended, the D.-J. industrial average had shown an ability to rebound after successfully testing the bear market low it set last month.

Monday of this week found stock market participants less optimistic. Volume dropped off to only about 790,000 shares, compared with 620,000 in Saturday's two-hour trading and 1,200,000 in Friday's full session. Prices that day also showed a tendency to drift downward.

On Tuesday, however, there was a stepping-up of last week's rallying tendencies. Stock prices showed considerable firmness at the opening and then were strong at the close. The last hour of Tuesday's trading, due to a surge of buying orders, actually provided close to 30% of all the day's 1,080,000-share volume.

• **Comfortable Cushion**—In the rally under way early this week the industrial section of the stock list was definitely leading the advance. But the rail and

COMMON STOCKS—A WEEKLY RECORD



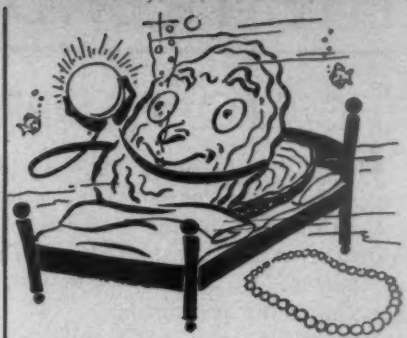
Data: Standard & Poor's Corp.

© BUSINESS WEEK

utility groups were almost as strong, and all three averages appeared quite firmly planted at levels well above the lows of about seven weeks ago.

How true the quick-strike-settlement

rumors touching off the pre-Thanks-giving rally will eventually prove to be is problematical. Many Wall Streeters, at midweek, thought they appeared to stem from wishful thinking.



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Not every oyster comes up with a pearl. But when he does—what a product! Yes, when it comes to pearls and pearls alone, the oyster is a noble specialist, and a rare perfectionist to boot.

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**Union
CHAINS**

The 1946 Bear Market—May-November Results

Last week saw industrial stocks retreat quite sharply at times under the impact of fear-selling touched off by the current coal crisis (page 15). No new 1946 low, however, was recorded in any of the important industrial stock price indexes. The week closed, instead, with a slight rally. The industrial averages, for the fourth time within a month, were creeping upward, after testing the lows.

Nonetheless, the picture revealed by Standard & Poor's group of weekly stock price indexes (1935-1939=100) is spotty and discouraging. Some 32% of those individual yardsticks were recently at their 1946 lows. And another 19% had recovered less than 5% of their earlier 1946 losses. Fewer than 15% had actually managed to recoup 20% or more of their bear market declines.

Group Index	1946 High	Recent Bear Market Low	% Drop From 1946 High	Nov. 20, 1946	% of Bear Market Loss Recovered
Air transport.....	593.1	275.5	53.5	275.5	*
Leather.....	221.9	113.8	48.7	136.0	20.5
Radio.....	224.1	119.9	46.5	119.9	*
Printing & publishing.....	285.5	159.6	44.1	159.6	*
Aircraft manufacturing.....	183.1	107.5	41.3	107.5	*
Gold mining (U. S.).....	106.8	63.1	40.9	66.2	7.1
Department stores.....	345.8	205.7	40.5	205.7	*
Automobile.....	166.0	98.9	40.4	101.6	*
Railroad stock index.....	168.8	104.0	38.4	111.2	11.1
Alcoholic beverages.....	581.6	359.1	38.2	359.1	*
Utility holding companies.....	160.0	99.4	37.9	107.9	14.0
Auto parts & accessories.....	170.2	106.7	37.3	107.5	*
Investment companies.....	213.5	138.3	35.2	141.9	*
Household furnishings.....	222.5	144.8	34.9	147.1	*
Electrical equipment.....	133.3	88.0	34.0	88.0	*
Textiles & apparel.....	312.0	206.1	34.0	206.1	*
Motion pictures.....	350.3	233.4	33.4	238.0	*
Shipbuilding.....	244.7	163.2	33.3	163.2	*
Agricultural machinery.....	160.5	108.2	32.6	108.2	*
Tires & rubber goods.....	307.4	207.1	32.6	207.1	*
Rail equipment.....	153.5	105.5	31.3	107.6	*
Food store chains.....	248.6	173.8	30.6	178.5	6.3
Cement.....	204.6	142.3	30.4	148.3	9.6
Coal.....	230.7	176.7	30.3	176.7	*
Machinery.....	154.6	107.8	30.3	107.8	*
Mining, smelting, etc.....	113.0	79.4	29.7	83.7	12.8
Copper.....	147.1	103.7	29.5	115.0	26.2
Fertilizer.....	305.4	215.6	29.4	215.6	*
Office & business equipment.....	165.1	127.7	29.3	132.4	12.6
Shoes.....	144.7	104.3	27.9	114.2	24.5
"Consumer goods" shares.....	175.8	127.0	27.7	128.3	*
Finance companies.....	113.1	81.2	27.5	84.8	11.3
"Capital goods" shares.....	147.0	107.9	27.3	110.3	6.1
Drugs & cosmetics.....	183.4	134.2	26.8	139.4	10.6
Paper.....	328.6	241.0	26.6	259.6	21.2
Mail order companies.....	241.1	176.8	26.6	176.8	*
Shipping.....	459.7	339.1	26.2	362.9	19.7
Sugar.....	148.6	109.3	26.4	110.3	*
Roofing.....	179.7	132.8	26.1	142.9	27.4
Industrial stock index.....	163.2	121.1	25.8	122.5	*
Meat packing.....	203.0	150.6	25.8	155.7	9.7
Weekly composite index.....	158.6	117.8	25.7	119.2	*
Steel.....	159.5	118.9	25.5	121.6	6.6
Lead & zinc.....	139.7	104.7	25.1	112.3	21.7
Containers.....	116.2	87.5	24.7	93.3	20.2
Chemical.....	151.8	115.3	24.0	117.1	*
Soft drinks & confectionery.....	165.2	116.7	23.3	126.5	20.4
Dairy products.....	250.1	194.5	22.2	201.4	12.4
5¢, 10¢, \$1 chain stores.....	456.9	116.0	21.7	116.0	*
Oil.....	169.8	133.2	21.6	137.3	16.0
Utility stock index.....	132.3	104.0	21.4	104.0	*
Tobacco products.....	105.1	82.8	21.2	87.8	12.4
Soaps & vegetable oils.....	149.1	118.9	20.3	127.9	29.8
Telephone & telegraph.....	129.1	103.4	19.9	103.4	*
Utility operating companies.....	132.6	107.1	19.2	121.1	54.9
Metal fabricating.....	178.2	114.1	19.1	123.4	14.5
Baking & milling.....	177.0	144.2	18.5	147.1	14.9

* Little or no change.

THE TREND

THE C.I.O. ON PROFITS AND WAGES

The C.I.O.'s Economic Outlook, an official publication, told union convention delegates last week that corporate profits in 1947 are likely to top \$16 billion. Moreover, it urged that the C.I.O. drive to cut these profits (page 79), and that the wartime level of earnings be set up as the benchmark.

We believe that C.I.O.'s profit estimate for 1947 is much too high. We are certain the wartime profit level, as a benchmark, is much too low.

The Report to Executives on "Corporate Profits: Postwar Pattern" (page 37) indicates earnings this year may total \$12 billion, with a fourth-quarter rate higher than this. The report also tentatively judges that aggregate profits next year will be lower. The level of earnings in 1947 is a highly debatable subject. But we see nothing to debate in an assertion that the war-period profit total is inadequate as a measure of sufficient earnings for a greatly enlarged peacetime industry.

• **What actually happened to profits during the war?** In 1944, the last full war year, earnings after taxes of all corporations totaled \$9.7 billion, up very little from the \$9.1 billion of 1941. In the same period, however, national income measured in dollar terms jumped almost two-thirds. The share of profits in the national income during 1944 was 6.0%. This was even slightly less than the proportion of national income going to earnings in the semidepressed period of 1936-39, and it fell far below the 9.4% proportion of 1941. (The share this year is about 7.2%.)

Moreover, the Report to Executives shows clearly that the over-all aggregate of corporate earnings during the war years was made up of a series of widely divergent profit movements among individual industries. Thus profits for manufacturing as a whole actually declined during the war. In general, durable goods lines—steel, automobile, machinery, metal firms—were the ones that dragged down the total in manufacturing. And the lower earnings of these industries occurred in the face of a tremendous expansion of sales. On the other hand, food, apparel, rubber, and petroleum—all nondurables—substantially increased their earnings.

• **What brought about this paradoxical situation wherein the so-called war babies emerged worse off while other lines more than held their own?** One principal reason is to be found in the fact that a good share of wartime industrial plant was not operated at a profit. The government itself put up the capital for much of the new plant and equipment necessary to produce aircraft, shipping, machinery, and certain of the metals. This government plant earned no profit as such, but was operated by leading business concerns for management fees.

In contrast to lines whose increased capacity was largely government-financed, many industries turning out

products that were to be useful in peacetime expanded their investment on private account. Petroleum products, certain chemicals, food processing, paper—all are cases in point. These industries earned a profit on their enlarged investment, thereby expanding total earnings.

World War II demonstrated that the capital plant necessary to employ effectively the entire U. S. working force must be substantially larger than that which existed in 1941. A recent report of the research staff of the Federal Reserve Board estimates that, in manufacturing alone, the required net addition to facilities is on the order of one-third.

In effect, the C.I.O. wage-profit policy asks that business and the investing public put up substantially more capital than was in existence in 1941 and be content to receive for this much larger and more risky total investment a smaller dollar profit. The new and enlarged facilities will have been an essential instrument in raising the national income to about twice the level (in monetary terms) of 1941. The share of ownership not only is to decline relatively, but the income of ownership is also to decline absolutely.

• **The U. S. economy does not work in such a manner.** Experience of the past year has again proved this. Any attempt to raise wages by such a drastic cut in profit margins can only lead to higher prices on many products.

Moreover, any such price advance next year is guaranteed to produce further distortions in a price structure that is already badly twisted. For in setting a goal based on an over-all and highly conjectural estimate of profits, the C.I.O. has pretty well committed itself to press for a wage increase that will be uniform throughout the industries and companies with which it is concerned. This is now likely to be the case for political reasons, if for none other. It is virtually impossible for one union leader to seek and gain a sizable wage advance without causing other leaders to strive to match it. Yet earnings in the industries that bargain with the C.I.O. vary enormously, and the outlook for 1947, shadowy as it is, gives evidence of continued variation.

• **Under the circumstances it is hardly necessary to point to the parallel between the wage-price policy of the government a year ago and the wage-profit policy of the C.I.O. today.** There are, however, several significant distinctions. A year ago prices had not already shot rapidly upward. And a year ago there existed an extraordinary backlog of demand for almost anything.

The government wage policy of 1946 led to inflation. The C.I.O. wage policy of 1947, if implemented, will accentuate price distortions that already exist by forcing up key prices still further. The penalty for labor throughout the country is likely to be reappearance of unemployment.

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